



Australian Government

Department of Communications and the Arts

ANNUAL
REPORT
2015/16



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If you would like additional information, or lodge a request for further authorisation, on this report, please contact:

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LETTER OF TRANSMITTAL

FOR OFFICIAL USE ONLY



Australian Government

Department of Communications and the Arts

Dr Heather Smith PSM

Secretary

Senator the Hon Mitch Fifield
Minister for Communications
Minister for the Arts
Parliament House
CANBERRA ACT 2600

Dear Minister

I present the Annual Report of the Department of Communications and the Arts (the Department) for the year ended 30 June 2016 for your presentation to the Parliament in accordance with subsection 63(1) of the *Public Service Act 1999*.

This Report has been prepared in accordance with the provisions of section 46 of the *Public Governance, Performance and Accountability Act 2013*.

In accordance with the Commonwealth Fraud Control Framework, I certify that fraud risk assessments and fraud control plans have been prepared for the Department; appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place for the Department; and all reasonable measures have been taken to deal appropriately with fraud relating to the Department.

Yours sincerely

Heather Smith
22 September 2016

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A CHANGED DEPARTMENT

In September 2015, we welcomed the Arts Division and classification and copyright functions into the Department. We became the Department of Communications and the Arts.

We established a dedicated branch to focus on regional communications to better support delivery of communications programs and services to regional Australia.

NATIONAL BROADBAND NETWORK

At the end of 2015–16, **NBN connections were available for 25 per cent of Australian homes and businesses**, up from 10 per cent a year earlier.

The first of two **Sky Muster satellites** was launched during 2015–16 extending access to high-speed broadband for Australians living and working in regional and remote areas.

The rollout of the **NBN** in regional Australia is progressing well, with **22 per cent of the fixed line rollout complete for existing regional premises** compared to 16 per cent in metropolitan areas.



25% of Australian homes and businesses have available NBN connections



56 new or improved base stations operational / 499 to be delivered under round 1

MOBILE

BLACK SPOT

PROGRAM

The Government has committed a total of **\$220 million** over three funding rounds towards the Mobile Black Spot Program.

There were **56 new or improved base stations operational at the end of June 2016**, with a total of 499 to be delivered over a three-year period under round 1 of the program.



PROTECTING

AUSTRALIA'S MOVABLE CULTURAL HERITAGE

We supported the independent review of the *Protection of Movable Cultural Heritage Act 1986* that protects Australia's cultural heritage. The Government has accepted the principles of the review.

CATALYST

The new Catalyst—Australian Arts and Culture Fund was launched in November 2015 to **provide funding for innovative projects and initiatives from arts and cultural organisations**. In 2015–16, **125 projects were approved for Catalyst funding**, delivering funding of over \$23 million over four years. Small-to-medium arts organisations received more than 69 per cent of Catalyst funding.

Of all arts and culture activities funded through Catalyst, 38 per cent will take place in major cities, 29 per cent in regional locations, nine per cent in remote or very remote locations and 24 per cent in international locations.



38%

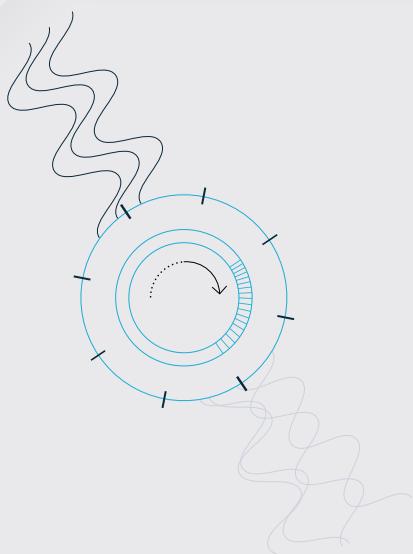
Major cities

38%

Regional & Remote

24%

International



SPECTRUM

Spectrum is a critical enabler of Australia's current and future communications infrastructure. As demand for spectrum grows, Australia's regulatory framework must be responsive to emerging technologies and services and ensure that competing spectrum priorities are effectively managed.

In 2015–16 we commenced reform of Australia's spectrum management framework to **reduce the regulatory burden on spectrum users and to ensure Australia is able to meet future demands on spectrum**.

MEDIA REFORM

We worked with the Government to introduce legislation to amend the control and ownership rules under the *Broadcasting Services Act 1992* to update our media laws in light of market and technological change in the broadcasting sector.

This reform package, to be re-introduced to Parliament, is designed to enhance the **amount of local TV content in regional Australia** and provide an incentive for **local content to be filmed in the local area**.



NEW WAYS TO CLASSIFY COMPUTER GAMES

We ran a pilot of an online tool that allows game developers to submit their online, mobile and downloadable computer games for assessment against classification requirements.

This has resulted in more than **450,000 games being classified**—games which would not otherwise have had ratings information available for Australian consumers.

THE MARRAKESH TREATY

We led Australia's efforts to have the **Marrakesh Treaty** ratified. This international treaty mandates exceptions to copyright law so people with a vision impairment can enjoy more books in Braille, large-print and audio formats.

Our efforts involved working closely with other Australian Government agencies, disability organisations and copyright holders.



450,000

GUIDE TO THE REPORT

THIS REPORT OUTLINES THE OPERATIONS AND PERFORMANCE OF THE DEPARTMENT OF COMMUNICATIONS AND THE ARTS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2016. IT HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 46 OF THE PUBLIC GOVERNANCE PERFORMANCE AND ACCOUNTABILITY ACT 2013 (PGPA ACT).

Note that figures in tables and in the text of this report may be rounded. Figures in the text are generally rounded to one decimal place, while those in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

SECTION 1—OVERVIEW

Includes a review of the year by the Secretary, and an outline of the Department, our purpose, the outcomes, and programs we administered, as well as an overview of the portfolio structure.

SECTION 2—ANNUAL PERFORMANCE STATEMENT

Reports on our performance during the year as required under paragraph 39(1)(b) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and section 16F of the *Public Governance, Performance and Accountability Rule (PGPA Rule)*. We demonstrate how the Department has performed during the year in relation to our purpose and programs.

SECTION 3—MANAGEMENT AND ACCOUNTABILITY

Details our governance arrangements, management practices and outcomes, and workforce management.

SECTION 4—FINANCIAL STATEMENTS

Contains our audited financial statements for 2015–16.

SECTION 5—APPENDICES

Supplementary information on a range of issues, such as a resource statement and expenses for outcome, reporting on legislation and statutory instruments, workforce demographics, and advertising and market research.

SECTION 6—REFERENCE INFORMATION

Provides a list of acronyms, glossary of terms, an alphabetical index and a compliance index.



SECTION 1

OVERVIEW

This section provides a review of the year by the Secretary, and an outline of the Department, our purpose, the outcomes, and programs we administered, as well as an overview of the portfolio structure.

Secretary's review

2

About the Department

5





Dr Heather Smith, Secretary.

SECRETARY'S REVIEW

2015–16 SAW THE COMMONWEALTH FUNCTIONS OF COMMUNICATIONS, ARTS, COPYRIGHT, CLASSIFICATION, AND THE FUNCTIONS OF THE TELECOMMUNICATIONS UNIVERSAL SERVICE MANAGEMENT AGENCY, COMBINED INTO THE DEPARTMENT OF COMMUNICATIONS AND THE ARTS. THE RECENTLY UNITED PORTFOLIO IS RELEVANT TO EVERY BUSINESS AND HOUSEHOLD IN AUSTRALIA.

My arrival as Secretary in January 2016 came at a point when the majority of necessary administrative components of the machinery of government change were complete, and the Department was ready to address new challenges and take advantage of opportunities created by its establishment. At the same time, the pace of change in digital technologies has continued to accelerate and we recognise the considerable change this brings to Australia's citizens and businesses—whether it is to the way we provide and access services, connect with others or distribute creative work. The Department will continue to monitor and advise Government on the impacts and opportunities that digital transformation brings.

Our continuing objective of delivering sound policy and programs to the communications and arts sectors has therefore gained an additional dimension: finding synergies between the arts and communications sectors that could benefit Australia and Australians. In 2015–16, we focused on aligning our internal systems and governance processes. In 2016–17, our focus will be on delivering and identifying policy opportunities to address

cross-cutting issues that impact both the arts and communications sectors and affect industry and consumers.

This year's annual report contains the performance statement required under the *Public Governance, Performance and Accountability Act 2013*, explaining the nature and impact of the Department's work. It reflects the broad scope of work in the Department. It reinforces the fact that the work undertaken by the Department, often with the assistance of portfolio agencies, affects the quality of life of all Australians, and is fundamental to preserving our history and building a future of innovation, creativity and economic growth.

The Department's most visible work has centred on the delivery of 21st century enabling infrastructure across Australia. In addition to maintaining policy and regulatory settings, the Department monitors the work of NBN Co Ltd and provides advice to the Minister for Communications as one of the two shareholder ministers. During 2015–16, NBN Co increased its deployment of fixed, wireless and satellite infrastructure and now 25 per cent of

Australian homes and businesses are able to order a connection on the National Broadband Network. By fostering productivity and innovation, the network is delivering economic and social benefits to Australians. The first of two Sky Muster satellites was launched on 1 October 2015 extending access to high-speed broadband services for Australians in regional and remote areas and enhancing their participation in internet activities including distance education and e-Health services.

The Regional Telecommunications Review conducted in 2015 confirmed the importance of broadband for regional Australia, but also strongly signalled the continuing need for mobile coverage in rural and regional Australia. In 2015–16, the Department started the build phase of round 1 of the Mobile Black Spot Program, and called for further locations to be nominated in round 2. The new and upgraded mobile base stations provided by the Mobile Black Spot Program are co-funded by state, and in some cases, local governments: an example of the different levels of government working together.

The Department's work also focuses on delivering a range of activities to support the arts sector and promoting access to arts and cultural experiences for all Australians. In 2015–16, the Department delivered *Catalyst—Australian Arts and Culture Fund*, which will provide \$23 million over four years for more than 125 projects. Catalyst gives priority to projects by small to medium arts organisations, and to those in regional areas. Other programs run by the Department contribute to a platform for vibrant arts and cultural experiences, through our national galleries, library and museums, regional arts programs, the training of elite performers, and support for creators, screen production and funding Indigenous arts and languages.

Both the communication and arts sectors are being impacted by digital disruption. While technology is helping to connect more people to essential services like education and health, it is also challenging traditional business models and regulatory arrangements. These issues underpinned the review of the Australian Communications and Media Authority (ACMA), with the Department examining the objectives, functions, structure, governance and resources of the ACMA so it remains fit-for-purpose in the rapidly changing communications environment.

At the same time, consumer demand for communication services that keep us connected is increasing. In 2015–16, we consulted with industry and the public on legislative proposals for a new regulatory framework for spectrum management. Spectrum, as critical infrastructure, facilitates activities in virtually every corner of the marketplace, forming the hidden backbone of communication, commercial transactions and machine-to-machine interactions that are the drivers of global economic growth.

Similarly driven by market and technological change in the broadcasting sector, the Department worked on media reform to enable broadcasting to remain competitive and deliver local content to Australian audiences. The Department prepared amendments to provisions in the *Broadcasting Services Act 1992* that prevent a person from controlling:

- > commercial television licences that collectively reach in excess of 75 per cent of the Australian population (the '75 per cent audience reach rule'); and
- > more than two of the three regulated forms of media (commercial radio, commercial TV and associated newspapers) in the one commercial radio licence area (the '2 out of 3 rule').

In addition, the Department prepared regulatory changes that will protect and enhance the amount of local television content in regional Australia as well as introducing an incentive for local content to be filmed in the local area. Although the legislation lapsed when Parliament was prorogued, it will be re-introduced early in the new sitting period.

A particularly innovative project has been the pilot of an online tool that allows computer game developers to obtain an Australian classification for their games without needing to apply to the Classification Board for a rating. So far, the tool has allowed more than 450,000 games to be classified. The tool is being evaluated, and recommendations will be provided to the Minister in the coming months.

The Australian Public Service (APS) is also transforming. In line with the release of the *Balancing the Future: Australian Public Service Gender Equality Strategy 2016–19* and the *As One: Making it Happen, the APS Disability Employment Strategy*, the Department has continued to support the work of our Gender Equality Network and established a new Diversity and Inclusion Committee. In 2016–17, we will focus on improving gender diversity on our Portfolio Boards, providing staff with unconscious bias training and ensuring cultural diversity, disability and other diversity and inclusion action plans are a major focus for our Diversity and Inclusion Committee.

The Department is committed to providing a flexible workplace for all staff. We have initially focused on technological solutions to support more flexible working arrangements—a practical combination of laptops, mobile devices, secure Wi-Fi and use of videoconferencing. In addition to exploring technological

innovation, the Department is investing in the professional policy and program toolset available to its officers. We are investigating the increased use of behavioural economics, risk-based regulation and data analytics. The Department's Bureau of Communications Research has made useful contributions to the Department in these areas, and is preparing informational snapshots on the arts and communications sectors for publication.

Finally, I'd like to acknowledge the assistance the Department receives to help us get our work done. The Department's work has benefitted from the positive input from its portfolio agencies and a diversity of stakeholders, ranging from consumer groups to industry representatives and peak bodies, as well as individuals from all walks of life. In their submissions to consultations, advocacy in the policy process and engagement in a diverse range of consultative meetings and public events, they have shown themselves equally committed to promoting Australia's cultural and communications sectors, to the benefit of all Australians. I thank them for it, as I thank all staff for their hard work, commitment and support over the last 12 months.

The next year promises to be an exciting period and we look forward to supporting the Government to achieve its policy priorities and deliver positive programs that benefit all Australians.

Heather Smith
Secretary

ABOUT THE DEPARTMENT

OUR PURPOSE

The purpose of the Department of Communications and the Arts is to promote innovative communications and cultural sectors through policy, program and service delivery to the benefit of all Australians.

In providing good public policy advice to the Government, the Department must continue to deliver a deep and authoritative understanding of the developments and innovations in the communications and arts sectors, while continuing to facilitate access to essential communication services and participation in artistic and cultural endeavours for Australians.

OUR ROLE

We are the Australian Government's most trusted advisor on communications and the arts.

Our role includes:

- > **Strategic advice and policy development**—we provide Government with policy advice on communications and arts issues.
- > **Effective program and grants management**—we deliver efficient and effective programs and grants management to achieve the Government's policy outcomes.

- > **Regional Australia**—we provide policy leadership in respect to regional and remote community access to communications services and participation in artistic and cultural endeavours.
- > **Service delivery**—we support the delivery of the National Classification Scheme to assist the public in making choices about films, computer games and classifiable publications.
- > **Strategic research and critical analysis**—we research, identify, analyse and report on digital technologies, communications and arts sectoral developments and market trends, including their effect on the economy and society, to inform policy priorities.
- > **Regulatory management**—we administer portfolio legislation efficiently and effectively. We review and shape the regulatory framework. We assist the Minister for Communications and the Minister for the Arts, and the Minister for Regional Communications to fulfil their Parliamentary obligations.
- > **Collaborative approaches**—we work with portfolio agencies, stakeholders across government, industry, research institutions and the community to generate innovative advice and to provide high quality service.
- > **Portfolio agency advice**—we analyse and provide strategic advice on our portfolio agencies, government business enterprises, the national broadcasters, and other statutory bodies.

OUR STRATEGIC PRIORITIES

Our strategic priorities in 2015–16 were:

- > **Expanding digital infrastructure.** We advised Government about the necessary market settings to deliver competitive and efficient digital infrastructure to drive growth in the broader economy.
- > **Promoting efficient communications markets.** We advised Government about the necessary market, policy and regulatory settings to promote competition, provide for consumer safeguards that support access to basic services, make available socially valuable content, and protect against inappropriate content.
- > **Arts and cultural development.** We promoted participation in, and access to, Australia's arts and culture through developing and supporting cultural expression.
- > **Strengthening our capabilities.** We will continue to build on our strengths and improve our capability in the areas of leadership, strategy and delivery.

DEPARTMENT STRUCTURE AND FUNCTIONS

In September 2015, amendments to the Administrative Arrangements Order resulted in the following changes to our responsibilities:

- > The arts, classification and copyright functions came into the Department from the Attorney-General's Department. We became the Department of Communications and the Arts. Twelve arts portfolio bodies were transferred to the portfolio.
- > Responsibility for enhancing digital productivity moved to the Department of Industry, Innovation and Science.
- > The data policy function and the Digital Transformation Office moved to the Department of the Prime Minister and Cabinet.
- > The Telecommunications Universal Services Management Agency (TUSMA) functions transferred into the Department with effect from 1 July 2015.

Drew Clarke PSM concluded a two and half year tenure as Secretary of the Department in September 2015. Nerida O'Loughlin was Acting Secretary from September 2015 to January 2016. Dr Heather Smith PSM was appointed Secretary on 25 January 2016.

In April 2016, our organisational structure was updated. The main changes were:

- > Grouping our streams of work with clearer reporting lines that better reflect the dynamics of the sectors we advise Government on: content, arts, consumer needs and infrastructure.

- > Revising the role of Deputy Secretaries to focus on strategic priorities and provide whole-of-agency leadership on key policy and organisational issues. The First Assistant Secretaries have the primary role in policy development and implementation, program delivery, and service delivery. They work closely with the Assistant Secretaries to develop capabilities in these critical areas.
- > Changing reporting lines so each Market Analysis Teams now reports directly to the Deputy Secretaries to support them in developing our broader strategic focus.

As at 30 June 2016, the Arts, Content, and Strategy and Projects divisions reported to one Deputy Secretary, and the Consumer and Infrastructure divisions and the Bureau of Communications Research reported to the other Deputy Secretary. The Corporate Division and the Chief Economist worked directly to the Secretary.

OUTCOMES AND PROGRAMS

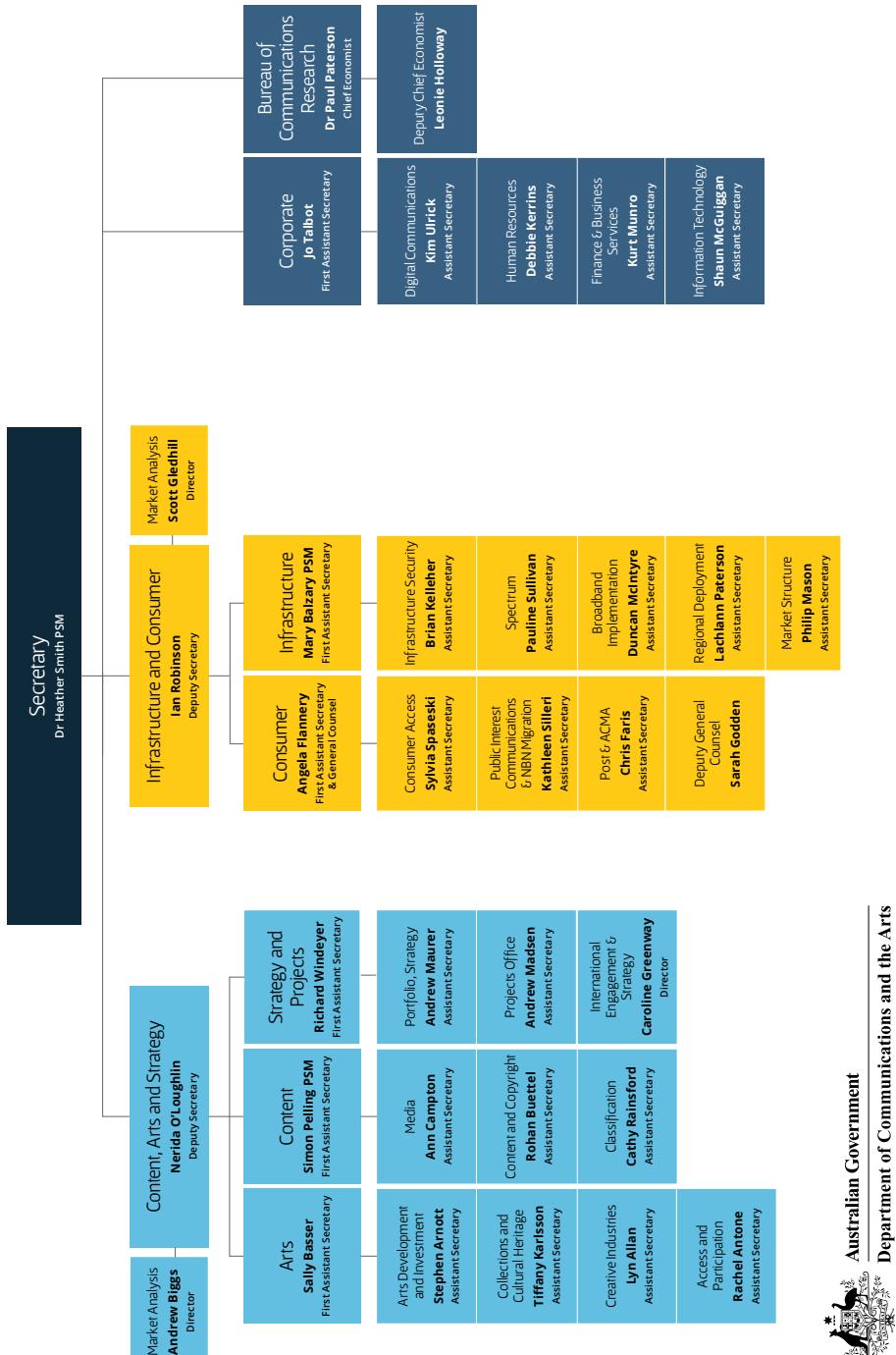
The data policy function and the Digital Transformation Office moved to the Department of the Prime Minister and Cabinet. In 2015–16, we administered two outcomes and two programs (Table 1.1).

Table 1.1 Outcome and program structure in 2015–16

Outcome	Program	Source
Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services	Program 1.1: Digital Technologies and Communications Services	<ul style="list-style-type: none"> > Corporate Plan 2015–19 > 2016–17 Portfolio Budget Statement, pages 27–29
Outcome 2: Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression	Program 2.1: Arts and Cultural Development	<ul style="list-style-type: none"> > 2016–17 Portfolio Budget Statement, pages 33–34

ORGANISATION CHART

Figure 1.1 Department of Communications and the Arts organisation chart as at 30 June 2016



SECRETARY AND EXECUTIVE OFFICE

- > *Secretary of the Department of Communications and the Arts: Dr Heather Smith PSM*
- > *Deputy Secretary, Content, Arts and Strategy: Nerida O'Loughlin*
 - Content Division, Arts Division, Strategy and Projects Division
 - Content and Arts Market Analysis Team
- > *Deputy Secretary, Infrastructure and Consumer: Ian Robinson*
 - Infrastructure Division, Consumer Division, Bureau of Communications Research
 - Consumer and Infrastructure Market Analysis Team

CONTENT

The Content Division, together with Consumer Division and Infrastructure Division, administers Program 1.1 and implements the strategic priority *promoting efficient communications markets*.

*First Assistant Secretary:
Dr Simon Pelling PSM*

ARTS

The Arts Division administers Program 2.1 and implements the strategic priority *participation in, and access to, Australia's arts and culture through developing and supporting cultural expression*.

First Assistant Secretary: Sally Basser

STRATEGY AND PROJECTS

The Strategy and Projects Division is responsible for departmental business planning and short-to-medium-term policy projects. It also leads our engagement with international telecommunications and internet governance organisations.

First Assistant Secretary: Richard Windeyer

INFRASTRUCTURE

Infrastructure Division, together with Content Division and Consumer Division, administers Program 1.1 and implements the strategic priority *expanding digital infrastructure*. This Division also provides advice and program management on regional telecommunications infrastructure issues.

First Assistant Secretary: Mary Balzary PSM

CONSUMER

The Consumer Division, together with Content Division and Infrastructure Division, administers Program 1.1 and implements the strategic priority *promoting efficient communications markets*. This Division also includes the Office of the General Counsel, which manages the preparation and delivery of legal services and strategic advice to the Department.

*First Assistant Secretary and General Counsel:
Angela Flannery*

BUREAU OF COMMUNICATIONS RESEARCH

The Bureau of Communications Research supports the strategic priority to *strengthen our capabilities* by providing research and economic and data analysis on communications and arts portfolio issues.

Assistant Secretary and Deputy Chief Economist: Leonie Holloway

CORPORATE

The Corporate Division supports our strategic priority to *strengthen our capabilities*. It provides support services for staff, and develops and implements strategies to support our continuous improvement.

First Assistant Secretary: Jo Talbot

CHIEF ECONOMIST

The Chief Economist works directly to the Secretary on strategic projects and advises on communications issues as required.

Chief Economist: Dr Paul Paterson

MINISTERIAL ARRANGEMENTS

The Hon Malcolm Turnbull, MP served as the Minister for Communications and the Hon Paul Fletcher MP served as his Parliamentary Secretary from July to September 2015. Senator the Hon Mitch Fifield was appointed Minister for Communications and Minister for the Arts on 21 September 2015. Senator the Hon Fiona Nash was appointed Minister for Regional Communications on 18 February 2016. After the caretaker period, from 9 May to July 2016, Minister Fifield was reappointed Minister for Communications and Minister for the Arts and Minister Nash was reappointed Minister for Regional Communications.

COMMUNICATIONS AND THE ARTS PORTFOLIO

During 2015–16, we worked with 18 entities in the Communications and the Arts portfolio. The Telecommunications Universal Services Management Agency (TUSMA) ceased to be a portfolio agency on 30 June 2015 with its functions transferred into the Department with effect from 1 July 2015. Twelve Arts portfolio agencies joined the Communications and the Arts portfolio in September 2015 (Table 1.2).

Table 1.2 Communications and the Arts portfolio as at 30 June 2016

Communications	Arts
<ul style="list-style-type: none">> Australian Postal Corporation (Australia Post)> Australian Broadcasting Corporation (ABC)> Australian Communications and Media Authority (ACMA)> Office of the Children's eSafety Commissioner> NBN Co Ltd> Special Broadcasting Service Corporation (SBS)	<ul style="list-style-type: none">> Australia Council> Australian Film Television and Radio School (AFTRS)> Australian National Maritime Museum (ANMM)> Bundanon Trust> Creative Partnerships Australia> Museum of Australian Democracy at Old Parliament House (MOAD)> National Film and Sound Archive (NFSA)> National Gallery of Australia (NGA)> National Library of Australia (NLA)> National Museum of Australia (NMA)> National Portrait Gallery of Australia (NPGA)> Screen Australia

* Parts XIB and XIC of the Competition and Consumer Act 2010 deal respectively with anti-competitive conduct and access in telecommunications. Parts XIB and XIC are the responsibility of the Minister for Communications and are administered by the Australian Competition and Consumer Commission (ACCC).

AUSTRALIA POST

Australia Post is a Government Business Enterprise wholly owned by the Australian Government. In fulfilling its Community Service Obligations, it provides a high-quality mail service to all Australians wherever they live or do business. It also operates parcel, e-commerce and logistics businesses.

We advised Government on the postal sector, including the Community Service Obligations for postal services. Together with the Department of Finance, we also advised Government in its capacity as the shareholder of Australia Post.

auspost.com.au

AUSTRALIAN BROADCASTING CORPORATION (ABC)

ABC is a national broadcaster. It contributes to and reflects Australia's national identity, fosters creativity and the arts, and encourages cultural diversity. The ABC is an integral part of the radio, television and online production industries and the news and information media.

We provided advice about ABC policy and triennial funding matters, the availability and rollout of ABC services, and ABC Board appointments.

www.abc.net.au

AUSTRALIAN COMMUNICATIONS AND MEDIA AUTHORITY (ACMA)

The ACMA is responsible for regulating broadcasting, radiocommunications, telecommunications and online content in accordance with legislation. The ACMA works with all stakeholders to maximise the public benefit, including the extent to which the regulatory framework addresses the broad concerns of the community, meets the needs of industry, and maintains community and national interest safeguards.

We advised the Government on the policy and legislative framework administered by the ACMA, including appropriate consumer safeguards relating to the provision of content and communications services, spectrum management, media ownership and control, and esafety. We undertook a review of the objectives, functions, structure, governance and resource base of the ACMA to ensure it remains fit-for-purpose for both the contemporary and future communications regulatory environment.

www.acma.gov.au

OFFICE OF THE CHILDREN'S eSAFETY COMMISSIONER

The Office supports the Children's eSafety Commissioner (the Commissioner). It leads online safety advice and education for the Australian Government and operates a complaints system so Australian children and young people can report serious cyberbullying.

We provided analysis and advice to Government about funding the Office to develop resource packages on online

safety for women and prevention strategies to counter violent extremism. We prepared a legislative rule to give the Commissioner these new functions. We worked with states and territories to develop a project agreement to be administered by the Commissioner for delivering online safety programs in schools.

www.esafety.gov.au

NBN CO LTD (NBN CO)

NBN Co is a Government Business Enterprise that is wholly owned by the Australian Government. Its role is to design, build and operate the National Broadband Network (NBN), providing high-speed broadband access to all Australians.

We were responsible for implementing, monitoring and improving the regulatory framework for the NBN, including regulations applying to NBN Co's operations and Telstra's Structural Separation and Migration Plan. Together with the Department of Finance, we also advised Government in its capacity as the shareholder at NBN Co.

www.nbnco.com.au

SPECIAL BROADCASTING SERVICE CORPORATION (SBS)

SBS is a national broadcaster. It provides multicultural and multilingual services that inform, educate and entertain all Australians. Its mission is to contribute to a more cohesive, equitable and harmonious Australia through its television, radio and online services.

We advised on SBS policy and funding matters, the availability and rollout of SBS services, and SBS Board appointments.

www.sbs.com.au

AUSTRALIA COUNCIL

The Australia Council's purpose is to champion and invest in Australia arts. It has a national leadership role in supporting and building Australia's arts ecology by fostering excellence in the arts and increasing national and international engagement with Australian art and artists.

We supported the Minister for the Arts through oversight of governance and policy matters relating to the Australia Council.

www.australiacouncil.gov.au

AUSTRALIAN FILM TELEVISION AND RADIO SCHOOL (AFTRS)

AFTRS supports the development of a professional screen arts and broadcast culture in Australia, including through the provision of specialist industry-focused education, training and research.

We provided advice on screen policy and governance matters to the Minister for the Arts and AFTRS.

www.aftrs.edu.au

AUSTRALIAN NATIONAL MARITIME MUSEUM (ANMM)

The ANMM seeks to increase knowledge, appreciation and enjoyment of Australia's maritime heritage through managing the National Maritime Collection and staging programs, exhibitions and events.

We provided advice on matters relating to the *Australian National Maritime Museum Act 1990*, governance, funding, and progressing ANMM Council appointments.

www.anmm.gov.au

BUNDANON TRUST

Bundanon Trust supports arts practice and engagement with the arts through its residency, education, and exhibition and performance programs. In preserving the natural and cultural heritage of its site, Bundanon Trust promotes the value of landscape in all our lives. It is a Commonwealth Company limited by guarantee.

We provided advice on matters relating to the Bundanon Trust: its governance, funding, heritage listing, events and board appointments.

www.bundanon.com.au

CREATIVE PARTNERSHIPS AUSTRALIA

The role of Creative Partnerships Australia is to create a culture of private-sector support for the arts by growing the culture of giving, investment, partnership and volunteering.

We fund Creative Partnerships Australia to deliver professional coaching, mentoring and training services and matched funding programs that help artists and arts organisations secure private sector support.

We provided advice about Creative Partnerships Australia, governance and funding matters and board appointments.

www.creativepartnershipsaustralia.org.au

MUSEUM OF AUSTRALIAN DEMOCRACY AT OLD PARLIAMENT HOUSE (MOAD)

The role of MOAD is to promote the value of Old Parliament House as a significant heritage site while ensuring the building and heritage collections are conserved for future generations. MOAD also plays a significant role in exploring and communicating the intrinsic value of democracy.

We managed the reclassification of MOAD from a principal body non-corporate entity to a corporate Commonwealth entity. The change took effect from 1 July 2016. We also progressed advisory board appointments and provided advice about funding arrangements and governance.

moadoph.gov.au

NATIONAL FILM AND SOUND ARCHIVE (NFSA)

The NFSA develops and preserves a collection of significant Australian film, recorded sound, broadcast and new networked media works. It shares the collection with audiences across Australia and overseas.

We provided advice on matters relating to the *National Film and Sound Archive Act 2008*, agency governance, funding and events, and board appointments.

www.nfsa.gov.au

NATIONAL GALLERY OF AUSTRALIA (NGA)

The NGA aims to increase understanding, knowledge and enjoyment of the visual arts by providing access to, and information about, works of art locally, nationally and internationally.

We provided advice on matters relating to the *National Gallery Act 1975*, agency governance, funding and events, and council appointments.

nga.gov.au

NATIONAL LIBRARY OF AUSTRALIA (NLA)

The NLA aims to ensure that all Australians can access, enjoy and learn from a national collection that documents Australia's life and society.

We provided advice on matters relating to the *National Library Act 1960*, agency governance, funding and events, and council appointments.

www.nla.gov.au

NATIONAL MUSEUM OF AUSTRALIA (NMA)

The NMA develops and maintains a national collection of historical material and increases awareness and understanding of Australia's history and culture.

We provided advice on matters relating to the *National Museum of Australia Act 1980*, governance, funding matters and progressed council appointments.

www.nma.gov.au

NATIONAL PORTRAIT GALLERY OF AUSTRALIA (NPGA)

The NPGA aims to increase the understanding and appreciation of the Australian people—their identity, history, creativity and diversity—through portraiture.

We provided advice on matters relating to the *National Portrait Gallery Act 2012*, agency governance, funding and events, and board appointments.

www.portrait.gov.au

SCREEN AUSTRALIA

Screen Australia promotes audience engagement and supports a creative, innovative and commercially sustainable screen industry through the funding and promotion of culturally diverse Australian screen product.

We provided advice on screen policy and governance matters to the Minister for the Arts and Screen Australia.

www.screenaustralia.gov.au



SECTION 2

ANNUAL PERFORMANCE STATEMENT

This section provides the annual performance statement for the Department of Communications and the Arts for 2015–16 in accordance with paragraph 39(1)(b) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and section 16F of the Public Governance, Performance and Accountability Rule (PGPA Rule).

<i>Introductory statement, Our purpose, Performance criteria</i>	18
<i>Outcome 1, Program 1.1</i>	25
<i>Outcome 2, Program 2.1</i>	41
<i>Additional activities: Strengthening organisational capability</i>	46

INTRODUCTORY STATEMENT

I, Heather Smith, as the accountable authority of the Department of Communications and the Arts, present the 2015–16 annual performance statement of the Department of Communications and the Arts, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the department, and complies with subsection 39(2) of the PGPA Act.

OUR PURPOSE

The purpose of the Department of Communications and the Arts is to promote innovative communications and cultural sectors through policy, program and service delivery to the benefit of all Australians.

PERFORMANCE CRITERIA

We fulfil this purpose by addressing two outcomes, as described in the Portfolio Budget Statement (PBS)¹:

- > Outcome 1—Promote an innovative and competitive communications sector, through policy development, advice

and program delivery, so all Australians can realise the full potential of digital technologies and communications services.

- > Outcome 2—Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression.

Due to machinery-of-government changes in September 2015, our performance criteria have been outlined in several documents, including the Communications Portfolio Budget Statement 2015–16, the Attorney-General's Portfolio Budget Statement 2015–16, and the Communications and the Arts Portfolio Additional Estimates 2015–16. The most current performance criteria for 2015–16 are set out in the Communications and the Arts Portfolio Budget Statement of 2016–17, and we have based our reporting on this current information.

This statement also addresses the performance criteria set out in the Department's 2015–19 Corporate Plan and the Attorney-General's Department 2015–16 Corporate Plan where applicable.

We have summarised the performance criteria and targets from our 2015–19 Corporate Plan, the Portfolio Budget Statement (PBS) for 2015–16 and the Attorney-General's Department 2015–16 Corporate Plan where applicable (Table 2.1).

¹ 2016–17 Portfolio Budget Statement, pages 27–29 and 33–34

Table 2.1 Performance criteria, activities and measures 2015–16

Outcomes and measures	Page No.	
<p>PBS Outcome 1—Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services.</p>	25	
<p>PBS Program 1.1—Digital Technologies and Communications Services</p>		
<p>This program contributes to Outcome 1 by providing high quality, strategic advice to the Government on communications infrastructure and markets, consumer protections and regulatory reform opportunities; and through the effective delivery of related programs and services.</p>	<ul style="list-style-type: none"> > 2015–16 performance criteria in the 2016–17 Portfolio Budget Statements: Outcome 1 and Program 1.1 (pages 27–29); > Department of Communication's 2015–19 Corporate Plan. 	
Corporate Plan priorities	Related PBS measures	Page No.
<p>Activity: Expanding Digital Infrastructure</p>		
<p>1.1-A The Government is satisfied with the Department's support in achieving the rollout of a National Broadband Network by 2020.</p>	<p>High-quality, strategic and timely policy advice on:</p> <ul style="list-style-type: none"> > investment in, and access to, communications infrastructure > deployment of communications infrastructure including the implementation of Australia's new broadband network. 	25
<p>1.1-B The number of sites established and consumers served through the implementation of rounds of the Mobile Black Spot Program.</p>	<p>The Mobile Black Spot Program will receive significant co-contributions from industry, state and territory governments, local councils and third parties and facilitate competition in the provision of mobile services in outer metropolitan, regional and remote communities.</p>	26

	Corporate Plan priorities	Related PBS measures	Page No.
1.1-C	A new regulatory framework for efficient spectrum allocation and management is provided to the Government together with an implementation plan for the period 2015-16 to 2018-19.	Advice on further opportunities for making spectrum available for new services.	28
1.1-D	A knowledge base of Australia's digital infrastructure is built to inform pre-eminent policy advice to Government.	Successful policy leadership and advice on monitoring of, and information about, expanding digital infrastructure including Australia's new broadband network rollout and improved mobile coverage in regional Australia.	29
Activity: Promoting efficient communications markets			
1.1-E	Reform the telecommunications infrastructure policy and regulatory frameworks following the Government's framework for telecommunications regulatory and structural reform. Develop a framework for reform of telecommunications consumer regulation.	Effective regulatory frameworks for, and information about open, competitive and efficient communications markets, consumer interests, and online safety and security. High-quality, strategic and timely advice on necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content and unfair dealing. Office of the Children's eSafety Commissioner is established to promote a coordinated approach to online safety of children.	30
1.1-F	Achieve or exceed the deregulatory target set for the Department year on year.	Regular, timely collaboration and engagement on portfolio deregulation options.	31

	Corporate Plan priorities	Related PBS measures	Page No.
1.1-G	Assist the Regional Telecommunications Independent Review Committee to deliver its report to the Government by August 2015 and develop a response for Government consideration by January 2016.	Nil	32
Activity: Other measures for Outcome 1, Program 1.1			
1.1-H		Successful leadership and collaboration across government, industry, research institutions and the community to develop policies that deliver more efficient, trusted and secure enabling digital infrastructure.	32
1.1-I		Contribution to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services, through effective policy and effectively administered funding.	33
1.1-J		Delivery of public interest services within standards, rules and benchmarks outlined in contracts.	34
1.1-K		Ensuring copyright law and regulation provide a framework that supports and promotes creativity, commercial activity and access to knowledge and cultural works, in a way that is efficient and flexible, particularly in relation to the digital environment.	35

Corporate Plan priorities	Related PBS measures	Page No.									
1.1-L Classification	Supporting the effective administration of the National Classification Scheme and providing advice to Government on regulatory reform to meet evolving industry and consumer needs.	36									
Outcomes and measures											
		Page No.									
<p>PBS Outcome 2—Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression.</p> <p>PBS Program 2.1—Arts and Cultural Development</p> <p>This program contributes to Outcome 2 by administering a range of activities that support excellence in the arts and culture, develop and promote access to cultural activities including in regional and remote Australia, support and develop Aboriginal and Torres Strait Islander arts and culture, support Australian screen production, and protect Australia's movable cultural heritage.</p> <ul style="list-style-type: none"> > 2015–16 performance criteria in the 2016–17 Portfolio Budget Statements: Outcome 2 and Program 2.1 (pages 33–34); > Attorney-General's Department Corporate Plan 2015–16 (page 13). 											
<table border="1"> <thead> <tr> <th>Corporate Plan priorities</th><th>Related PBS measures</th><th>Page No.</th></tr> </thead> <tbody> <tr> <td colspan="3"> Activity: Support participation in, and access to the arts and encourage greater private sector support for the arts. </td></tr> <tr> <td>2.1-A Our community impact</td><td>Access to high-quality cultural experiences and skills development opportunities in regional and remote areas and for Aboriginal and Torres Strait Islander peoples is maintained or increased. Arts training organisations provide access to high-quality elite-level performing arts training for emerging Australian artists.</td><td>41</td></tr> </tbody> </table>			Corporate Plan priorities	Related PBS measures	Page No.	Activity: Support participation in, and access to the arts and encourage greater private sector support for the arts.			2.1-A Our community impact	Access to high-quality cultural experiences and skills development opportunities in regional and remote areas and for Aboriginal and Torres Strait Islander peoples is maintained or increased. Arts training organisations provide access to high-quality elite-level performing arts training for emerging Australian artists.	41
Corporate Plan priorities	Related PBS measures	Page No.									
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	Corporate Plan priorities	Related PBS measures	Page No.
2.1-B	<p>Our effectiveness in achieving objectives and our efficiency in meeting goals</p> <ul style="list-style-type: none"> > Stakeholder satisfaction with the Department's effectiveness in supporting participation in, and access to, the arts. > Total instances of policy advice, program work and legislative change that are on time, within budget and meets requirements. 	Cultural and arts programs and legislation are administered effectively.	42
<hr/>			
	Corporate Plan priorities	Page No.	
Additional activities: Strengthening organisational capability			
<hr/>			
The Department will:			
3-A	Build on our strengths consolidating our 'well placed' and 'strengths' in stakeholder engagement ² and leading edge thinking/research; and address our development areas of Business Planning, Talent Management and Leadership Visibility and Aligned Behaviours		46
3-B	Evaluate stakeholder satisfaction with the professionalism and commitment of staff involved in supporting participation in, and access to, the arts.		46
3-C	Increase the number of staff participating in secondment and job rotation opportunities.		46
3-D	Deliver inaugural Crawford School policy development courses with a positive impact on staff development and engagement.		46

² As noted in the Australian Public Service Commission's capability review of the Department of Communications, 2 June 2015.

	Corporate Plan priorities	Page No.
3-E	The Department's policy advice will draw on increasingly diverse and robust data and data analytics provided by its Market Analysis Teams and the Bureau of Communications Research.	47
3-F	The Department will enhance its ability to effectively respond to new issues and initiatives through a rigorous but agile project methodology, led by its Project Office.	47
3-G	APS Census shows that the Department equals or exceeds other policy departments in relation to staff engagement, organisational culture and flexible learning and working measures.	48
3-H	The Department is assessed as a government leader in effective and innovative use of leading-edge information and communication technologies.	49
3-I	A departmental Digital Transformation Plan (DTP) is developed and implemented with services that meet or exceed the Digital Transformation Office's Digital Service Standard.	49



THIS PROGRAM CONTRIBUTES TO OUTCOME 1 BY PROVIDING HIGH-QUALITY, STRATEGIC ADVICE TO THE GOVERNMENT ON COMMUNICATIONS INFRASTRUCTURE AND MARKETS, CONSUMER PROTECTIONS AND REGULATORY REFORM OPPORTUNITIES; AND THROUGH THE EFFECTIVE DELIVERY OF RELATED PROGRAMS AND SERVICES.

ACTIVITY: EXPANDING DIGITAL INFRASTRUCTURE

1.1-A The Government is satisfied with the Department's support in achieving the rollout of a National Broadband Network by 2020.

Targets, measurement, results

Our target is to support the Government's objective of improved communications infrastructure.

We achieve this by supporting ministerial shareholder oversight of NBN Co, engaging with the communications sector, and providing telecommunications policy and regulatory advice to the Government through the Minister for Communications. This work includes providing advice to the Minister as one of the two shareholder ministers in NBN Co, the company charged with building the National Broadband Network (NBN). In addition, we worked to ensure the right environment for investment in, deployment of, and migration to Australia's digital infrastructure. We receive feedback from ministers, other Australian Government departments, and stakeholders, but our primary measures of success relate to NBN Co and industry's deployment of infrastructure and services.

In 2015–16, we advised the Government about NBN Co's operations, including advice about board appointments and in regard to our review of the 2016 Corporate Plan; we

also managed the payment of \$7 billion in equity to NBN Co. As a result:

- > NBN connections were available for 25 per cent of Australian homes and businesses, up from 10 per cent in 2014–15
- > NBN Co's Sky Muster satellite was launched on 1 October 2015, with the result that further improved broadband services have been available to regional and remote areas since 29 April 2016.

We developed and implemented amendments to the *Telecommunications (Low Impact Facilities Determination) 1997* to support a faster and more cost-effective rollout of the multi-technology mix NBN and comparable broadband networks. This will provide significant cost savings to NBN Co.

A highlight from the year was our work on the NBN's migration assurance policy for NBN Co's fibre-to-the-premises network, which was released in February 2016. It sets out the roles and responsibilities of industry—especially telecommunications service providers—in moving consumers' telephones and internet connections from fixed-line services to NBN Co's fibre-to-the premises network. Our aim in drafting the policy was for

the consumer experience to be as predictable and straightforward as possible. The policy has been well supported by industry and consumer groups.

By maintaining a policy and regulatory environment that continues to foster private-sector investment and competition, there has been ongoing private sector investment including:

- > expansion by Telstra, Optus and Vodafone of their mobile networks so that Telstra's network reaches 99.3 per cent of the Australian population, Optus' reaches 98.5 per cent and Vodafone Hutchinson Australia's (VHA) reaches 97 per cent
- > construction by NextGen of its Darwin-Port Hedland submarine cable
- > increased activity in new developments by alternative providers like OptiComm and OPENetworks
- > investments in new data centres by the major data centre companies, IBM, Equinix, Global Switch and Metronode and planned investments by new market participants
- > investment by TPG in building 4,000 kilometres of optical fibre and providing dark fibre and network services to more than 3,000 VHA mobile sites over a 15-year term as part of its \$1 billion agreements
- > the licensing of 31 new carriers by the Australian Communications and Media Authority.

1.1-B The number of sites established and consumers served through the implementation of rounds of the Mobile Black Spot Program.

Targets, measurement, results

Our target is to deliver the Government's Mobile Black Spot Program to expand reliable mobile coverage and competition in outer metropolitan, regional and remote communities.

The Mobile Black Spot Program is the Australian Government's initiative to extend mobile coverage and competition in regional Australia (paragraph 1.1.2 of the round 1 guidelines).

Under round 1 of the program, 499 new and upgraded mobile base stations will be rolled out across regional Australia (429 Telstra and 70 Vodafone). The number of round 1 funded base stations is approximately twice the expected number which the Government announced as part of its round 1 funding commitment in August 2013 (200-250).

The first base station to be switched-on under round 1 started delivering services in December 2015 and a further 56 base stations were activated by 30 June 2016.

The round 1 base stations will deliver improved mobile coverage to reported black spots along major regional transport routes, in small communities, and in locations prone to experiencing natural disasters. These base stations will provide:

- > new and upgraded handheld coverage to 68,600 square kilometres
- > new external antenna coverage to over 150,000 square kilometres
- > new handheld or external antenna coverage to over 5,700 kilometres of major transport routes.

In addition to delivering entirely new coverage where it doesn't currently exist, many of the round 1 base stations also address areas where coverage is poor or patchy.

The program provides opportunities for other mobile network operators to negotiate colocation arrangements at funded sites, increasing the incentive for carriers to provide competing services at these locations.

Round 1 of the Mobile Black Spot Program sought to leverage Commonwealth funding to achieve more than a 1:1 contribution from other sources. This was achieved, with the Commonwealth's \$100 million commitment attracting co-investments to form a total funding envelope of \$385 million.

The Australian Government's \$100 million funding for round 1 of the program has been supplemented by Telstra (\$165 million) and Vodafone (\$20 million). In addition, five state governments have co-contributed towards round 1—NSW (\$24 million), Victoria

(\$21 million), Queensland (\$10 million), Western Australia (\$32 million) and Tasmania (\$0.35 million). An additional \$1.7 million has been provided by local governments, businesses and community organisations.

Many third party co-contributors provided funding towards round 1 base stations specifically to improve services in areas experiencing poor or patchy coverage, as well as achieving new coverage outcomes.

The Department is monitoring the rollout of round 1 base stations against the performance specifications set out in the funding agreements with Telstra and Vodafone, as the carriers commence delivering services from each base station.

The extent to which the program is achieving its new coverage objectives will be monitored by the Department against the coverage outcomes for which the carriers have been contracted to deliver. This includes the size of new handheld and external antenna coverage footprints, and the number of premises and lengths of major transport routes receiving improved coverage.

The Department is monitoring the extent to which the program is achieving its increased competition objective by measuring the base stations which have attracted co-location by multiple carriers and the number of premises which benefit from increased competition.

Round 2 of the Mobile Black Spot Program commenced on 26 February 2016, with the release of the round 2 guidelines. Applications from mobile network operators were submitted by 14 July 2016.

The round 2 guidelines again seek to attract financial cocontributions from industry, state and territory governments, local councils and third parties. The round 2 guidelines include assessment and selection criteria

that aim to further promote competition by encouraging mobile operators to offer co-location and roaming services on the funded base stations.

1.1-C A new regulatory framework for efficient spectrum allocation and management is provided to the Government together with an implementation plan for the period 2015–16 to 2018–19.

Targets, measurement, results

Our target is to provide a regulatory framework that supports efficient spectrum allocation and management.

The regulatory structures that govern Australia's spectrum allocation and management were established more than 20 years ago with the implementation of the *Radiocommunications Act 1992*. In August 2015, the Government announced a new spectrum management framework and timetable for phased implementation of the framework, which comprises development of new legislation, a pricing review and review of the Australian Government's spectrum holdings.

Spectrum planning and regulation is a long-term process, and regulatory decisions have profound technological and commercial impacts. As a result, the reform of spectrum allocation and management will take several years. Our measures of success in this area are: development of streamlined, flexible and

transparent regulatory arrangements; positive engagement with spectrum stakeholders on those proposals; and awareness and advice on new services and technologies that may need to access spectrum in future.

Public consultation was undertaken during 2015–16 on legislative proposals which will give effect to a new regulatory framework for spectrum management. Over 30 submissions were received from a diversity of spectrum users. A common theme from all users was that they are seeking more detail on how the legislation will be implemented. In response to this feedback and as result of the caretaker period, release of an exposure draft was deferred until 2016–17.

We engaged with industry and government stakeholders on future opportunities for spectrum use including Internet of Things, Intelligent Transport Systems, and expanded use of satellite services. We also provided advice to facilitate the release of additional spectrum.

1.1-D A knowledge base of Australia's digital infrastructure is built to inform pre-eminent policy advice to Government.

Targets, measurement, results

Our target is to enhance our knowledge of digital infrastructure to support the provision of advice to Government.

To support the Minister for Communications, as a shareholder minister of NBN Co, the Department has continued to monitor and evaluate NBN Co's rollout progress, plans and operations as well as reviewing NBN Co's 2016 Corporate Plan.

The Department undertook a thorough analysis of NBN Co's business operations and rollout planning as part of the review of NBN Co's 2016 Corporate Plan. This process demonstrated the Department's capacity to provide independent and robust advice on infrastructure and telecommunications market issues.

As part of the Mobile Black Spot Program, the Department maintains a public database of reported mobile black spot locations (available from the [NationalMap.gov.au](#)). It was reopened in 2015 to enable the public to further nominate locations for round 2 of the program. The database closed for new round 2 nominations on 15 January 2016.

The Mobile Black Spot Program has established performance monitoring arrangements with Telstra and Vodafone, including regular reporting requirements against agreed coverage outcomes. The arrangements also provide for monitoring of long-term base station usage and

performance metrics to measure the overall impact and effectiveness of the program, and the extent to which the program meets its objectives.

The Department's Bureau of Communications Research (BCR) engaged with other government agencies as a shared resource on research, and economic and data analysis on portfolio-related issues to progress government objectives in areas including:

- > productivity and economic and employment growth
- > equality of access to services
- > opportunities to improve the coordination and governance of ICT statistics and to revise and refine the Australian Government's framework for ongoing assessment of the digital economy (this was a joint review with the Australian Bureau of Statistics).

The BCR sought to improve understanding of the benefits of the digital economy and policy issues relating to the communications and arts sectors. For example, the BCR:

- > assessed the effect of digitisation on productivity growth in the Australian economy, producing the report: *IT use and Australia's productivity: Where are we now?*
- > reviewed the economic benefits of open government data to government and other stakeholders such as businesses and the Australian public in the report—*Open government data and why it matters*.

ACTIVITY: PROMOTING EFFICIENT COMMUNICATIONS MARKETS

1.1-E Reform the telecommunications infrastructure policy and regulatory frameworks following the Government's framework for telecommunications regulatory and structural reform.

Develop a framework for reform of telecommunications consumer regulation.

Targets, measurement, results

Telecommunications regulatory and structural reform

Our target is to provide a policy and regulatory framework that promotes private-sector investment, innovation, and competition in the telecommunications sector while continuing to support the rollout of the NBN as a key element of Australia's future communications infrastructure. A focus of this work in 2015–16 was continuing the implementation of the Government's Telecommunications Structural and Regulatory Reform Statement, which was released in December 2014. This work involved research, policy analysis, and the development of regulation and legislation.

The Telecommunications in New Developments Policy came into effect in March 2015. We continued to work with stakeholders on implementing aspects of the policy, including online mapping of new developments and the development of carrier licence conditions to ensure minimum standards in new developments. The policy has led to increased opportunities for, and use of, alternative providers in new developments.

The Telecommunications Amendment (NextGeneration Broadband Interference Management) Regulation 2015 was made to enable industry to develop a code to manage interference between competing next-generation broadband systems. The Communications Alliance is continuing to develop the relevant code.

The Department's Bureau of Communications Research (BCR) completed its review into the cost of NBN Co's non-commercial services and funding options and provided its report to Government. Building on the BCR's work, we provided advice to Government on the implementation of funding arrangements and related legislation.

ACMA Review

To ensure that the communications regulator remains able to regulate a rapidly-changing sector, we reviewed the Australian Communications and Media Authority (ACMA) examining its remit, functions, objectives, governance and performance. A draft final report was published for stakeholder comment in May 2016; stakeholders made submissions in reply that engaged positively with the draft report's analysis and draft recommendations.

Develop a framework for reform of telecommunications consumer regulation

We did not meet the target of developing a framework for reform of telecommunications consumer regulation within the year, given the complexity of this task, but commenced the process to ensure that this framework will be developed over the next period.

The Government, in its response to the 2015 Regional Telecommunications Review, initiated a Productivity Commission inquiry into the Telecommunications Universal Service Obligation in April 2016, and supported a broader review of the consumer safeguard framework. The Productivity Commission inquiry will

examine the extent to which, in the evolving Australian telecommunications market, Government policies may be required to support universal access to a minimum level of telecommunications services. The Productivity Commission's report to Government is due in April 2017.

Office of the Children's eSafety Commissioner

The Department supported the establishment of the Office under the *Enhancing Online Safety for Children Act 2015*. The Office commenced operation on 1 July 2015 to help protect Australian children from cyberbullying and to take a national leadership role in online safety.

1.1-F Achieve or exceed the deregulatory target set for the Department year on year.

Targets, measurement, results

Our target is to reduce the burden of red tape and onerous regulation in the communications sector, including efforts to meet the Australian Government's commitment to reducing the costs of excessive regulation by \$1 billion per year.

The initiatives we implemented this year are expected to generate annual savings of \$250 million for businesses and consumers in the communications sector. The reforms are significant and include support for the multi-technology rollout of high-speed broadband,

introducing a two-speed letters service for Australia Post, and modernising the classification scheme by implementing a pilot of an online tool to classify online computer games including apps.

The portfolio will continue to focus on pursuing better regulation and reform to support productivity and innovation in communications markets.

We have achieved the deregulatory target set by Government for the portfolio in each year it has been established.

1.1-G Assist the Regional Telecommunications Independent Review Committee to deliver its report to the Government by August 2015 and develop a response for Government consideration by January 2016.

Targets, measurement, results

In accordance with Part 9B of the *Telecommunications (Consumer Protection and Service Standards) Act 1999* (the Act), the Regional Telecommunications Independent Review Committee (the Committee) was established in early May 2015 to review the adequacy of telecommunications services in regional, rural and remote Australia. The Committee members were Ms Deena Shiff (Chair), Ms Su McCluskey, Mr Robin Eckermann and Ms Georgie Somerset.

As required by the Act, the Committee delivered its report to the Government on 23 August 2015. The report was tabled in Parliament on 22 October 2015. The Australian Government response was tabled in Parliament on 23 February 2016.

For more information, see the case study on Regional Telecommunications Review on page 38.

ACTIVITY: OTHER MEASURES FOR OUTCOME 1, PROGRAM 1.1: DIGITAL TECHNOLOGIES AND COMMUNICATIONS SERVICES

1.1-H Successful leadership and collaboration across government, industry, research institutions and the community to develop policies that deliver more efficient, trusted and secure enabling digital infrastructure.

Targets, measurement, results

Our target is to support the Government's objective of secure and resilient critical communications infrastructure and services and to develop policies that deliver these efficiently.

The Department worked with a range of stakeholders, including industry and other government agencies, to ensure that regulation that places responsibilities on communications service providers is effective and efficient.

This included developing draft legislation to implement the Government's response to the Vertigan review into the NBN market, amendments to the powers and immunities regime to support the rollout of the multi-technology mix NBN and comparable networks, and to ensure carriers meet minimum standards for networks in new developments and provide network information.

The Department supported the exchange of information regarding risks and mitigation

strategies amongst communications service providers, and between communications service providers and government agencies. This included through the Communications Sector Group which is part of the Australian Government's Trusted Information Sharing Network.

In collaboration with the Attorney-General's Department, we provided advice on the implementation of the mandatory data retention scheme and contributed to the development of the proposed Telecommunications Sector Security Reforms.

1.1-I Contribution to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services, through effective policy and effectively administered funding.

Targets, measurement, results

Our target is to provide evidence-based policy in relation to broadcasting and other media services, and to continue to support access to such services.

Our analysis and advice about the national broadcasters' funding bids informed the Government's consideration of the final 2016–17 Budget measures on funding for the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS) over the next three years (\$3.1 billion and \$814.2 million, respectively). The Budget also provided the broadcasters with \$49.7 million in extra funding over three years to support local news, current affairs and multicultural and Indigenous media services. SBS also received \$6.9 million in 2016–17 to replace revenue it has not been able to raise after legislation that would have provided it with advertising flexibility failed to pass the Senate.

We drafted and introduced legislation to allow free-to-air television broadcasters to provide high definition programming on their primary channels.

We drafted and introduced legislation to simplify the digital radio regulatory framework and facilitate the rollout of digital radio services in regional Australia. We participated in the Digital Radio Planning Committee for Regional Australia, which is chaired by the Australian Communications and Media Authority.

We published the *Captioning Regulatory Framework – Policy Consultation Paper* to consult about potential reforms to captioning regulation for television. The aim is to improve the framework for consumers and streamline arrangements in the context of the Government's regulatory reform agenda.

We provided analysis and advice to the Government about funding the community broadcasting sector through the Community Broadcasting Foundation. In 2015–16,

the Foundation provided almost \$16.9 million to support the community broadcasting sector's development and expand its range of services.

We worked to ensure continued access to digital free-to-air services for viewers who are unable to receive television services

from terrestrial transmitters, through the Viewer Access Satellite Television (VAST) Program. We achieved this by providing support for the national and commercial broadcasters to provide their services through the VAST platform. More than 200,000 households across Australia now use the VAST service.

1.1-J Delivery of public interest services within standards, rules and benchmarks outlined in contracts.

Targets, measurement, results

Our target is to ensure that all Australians have access to telecommunications public interest services to support their everyday life and work.

We achieve this through the management of contracts that deliver telecommunications public interest services, including:

- > the Universal Service Obligation which ensures access to standard telephone services and payphones for all Australians
- > the national emergency call service, which is a national operator-assisted service that connects callers (to Triple Zero or 112) in a life-threatening or time-critical emergency

to an emergency service organisation (police, fire or ambulance)

- > voice-only migration related services
- > the National Relay Service (including the associated outreach service), a national service which operates as a communications bridge to assist Australians who are deaf or have a hearing or speech impairment to make and receive phone calls.

In 2015–16, all contracted services were delivered in accordance with contractual and, where relevant, regulatory requirements. See Appendix 1.

1.1-K Ensuring copyright law and regulation provide a framework that supports and promotes creativity, commercial activity and access to knowledge and cultural works, in a way that is efficient and flexible, particularly in relation to the digital environment.

Targets, measurement, results

Our target is to support access to creative works in traditional and digital forms while rewarding creative output.

We do this by providing copyright advice to the Government on the operation of Australia's copyright system. We work closely with other government agencies and copyright right holders and user stakeholders to identify, analyse and develop copyright regulatory and reform options, the use of copyright material within government, and to shape our international engagement settings.

From December 2015 to February 2016, the Government consulted on proposed reforms to the *Copyright Act 1968*. An Exposure Draft

Bill was released that included proposals aimed at streamlining and simplifying the Copyright Act for the disability, education, libraries and archive sectors.

On 10 December 2015, Australia ratified the Marrakesh Treaty, an international treaty to help people with vision impairment enjoy greater access to books in formats suitable to their needs, such as large print, Braille and audio. The treaty mandates exceptions to copyright law so that accessible books and other materials can be produced then distributed across borders. We led the ratification process in close consultation with other government agencies, disability organisations and copyright holders.

1.1-L Supporting the effective administration of the National Classification Scheme and providing advice to Government on regulatory reform to meet evolving industry and consumer needs.

Targets, measurement, results

Our target is to provide effective support to enable the Classification Board and the Classification Review Board to meet their statutory obligations in classifying films, computer games and publications, and to provide related high quality advice on the classification system.

With our support the Classification Board classified 3,899 items (mainly films and computer games) in 2015–16.

We implemented a simpler and more efficient way for industry to gain approval to show certain films, computer games and publications as part of cultural events such as film festivals and gaming expos. This streamlines the process for organisers to display material that has not yet been classified at such events. For example, as

a result of this measure, the organisers of Penny Arcade Expo, the premier games expo in Australia, were able to screen and demonstrate computer games by simply registering them online and providing accurate consumer information at the expo. Before this reform, the games would have required approval of the Director of the Classification Board.

We completed a 12-month pilot of the International Age Rating Coalition classification tool, which resulted in more than 400,000 computer gaming apps being classified during the year across multiple storefronts. This resulted in classification information being available to consumers where it previously was not. It also provided the storefronts with a simple and low-cost way to comply with Australia's classification requirements.

MOBILE BLACK SPOT PROGRAM



The Mobile Black Spot Program is bringing mobile phone coverage to more than 3,000 black spots across regional and remote Australia identified in the Database of Reported Black Spots. The outcomes of the program can be followed on the National Map.

ROUND 1

Round 1 of the program is building or upgrading 499 mobile base stations, with 429 constructed by Telstra and 70 by Vodafone. By the time round 1 finishes at the end of 2018, around 68,600 square kilometres of new, handheld coverage and more than 150,000 square kilometres of new, external-antenna coverage to regional and remote Australia will have been delivered.

With \$385 million of funding, the program has been a collaboration success story. The Australian Government is contributing \$100 million, Telstra and Vodafone are together contributing \$185 million, and five state governments are collectively providing more than \$87 million of funding. Local governments, businesses and community organisations are contributing \$1.7 million.

As the base stations roll out, people living, working in and travelling around regional and remote Australia will experience the benefits of improved mobile coverage and competition.

One of the earliest base stations to launch its services is along the Diamantina Developmental Road at Quilpie in Queensland. When Telstra switched on this base station in December 2015, it provided around 1,500 square kilometres of new handheld mobile coverage to residents and visitors in this remote area. This new coverage is expected

to boost business productivity, increase visitor numbers to the region, and bring faster response times for emergency services.

The new Vodafone mobile phone base station at Invergowrie in New South Wales is also expected to deliver improved coverage along a major transport route. As well as making new handheld coverage available to more than 400 homes, this new base station is expected to provide continuous coverage between Invergowrie and Armidale for people travelling on the Bundarra Road.

ROUND 2

A \$60 million round 2 of the program is now underway. The round 2 guidelines were released on 26 February 2016, with mobile network operators submitting funding proposals by 14 July 2016. As in the first round, the Government is seeking to leverage additional funding to build or upgrade more base stations. The Government expects to announce the outcomes in the second half of 2016.

ROUND 3

The Government has announced a further \$60 million for round 3 of the program. The additional funding will target priority black spot locations that have not previously received funding under the program.

The additional round of the program will bring mobile phone services within reach of more people living in regional and remote Australia.

REGIONAL TELECOMMUNICATIONS REVIEW

The 2015 Regional Telecommunications Review assessed telecommunications services in regional, rural and remote parts of Australia and identified access and consumer safeguards as key matters affecting people living in these areas.

The 2015 Regional Telecommunications Independent Review Committee released an issues paper, which attracted 426 submissions, including responses to a short survey promoted through the Have Your Say consultation section on the Department's website. Those submissions provided valuable insights to the Committee. The Committee also reached out to the community through:

- > a series of online webinar consultation sessions that provided people from anywhere in Australia an additional opportunity to participate
- > face-to-face meetings with regional representative groups and industry.

The Committee delivered its report to Government in August 2015.

The Government's response to the report highlighted key initiatives that are already improving telecommunications services in regional Australia, including the NBN rollout and the Mobile Black Spot Program, with round 3 of the program recently announced by the Government.

The Government's response also announced a Productivity Commission inquiry into the future direction of a universal service obligation in an evolving telecommunications market. The Productivity Commission commenced that inquiry, releasing an issues paper in June 2016. The Productivity Commission is scheduled to issue a draft report in December 2016 and a final report in April 2017. The Government response also proposed a review of the overall telecommunications consumer safeguard framework to make sure it is fit for purpose in a rapidly evolving sector. The review will be undertaken by the Department, with completion to occur at approximately the same time as completion of the Productivity Commission inquiry.

You can find the 2015 Regional Telecommunications Review report and the Government's response at www.communications.gov.au/regional-telecommunications-review

THE MARRAKESH TREATY EXPANDS ACCESS TO LITERATURE

On 10 December 2015, Australia ratified the Marrakesh Treaty, an international treaty to help people with vision impairment enjoy greater access to books in formats suitable to their needs, such as large print, Braille and audio. There is an estimated 285 million people worldwide with vision impairment.

Less than seven per cent of the world's books are made available in accessible formats, a situation described as the 'book famine'.

The treaty mandates exceptions to copyright law so accessible books and other materials can be produced then distributed across borders. The treaty also aims to balance the commercial interests of rights holders and the readership by ensuring that these exceptions can only be used in Australia when books are not commercially available.

The Department led the ratification process in close consultation with other government agencies, disability organisations and copyright holders.

The treaty now forms part of the body of international copyright treaties administered by the World Intellectual Property Organization. It will enter into force on 30 September 2016.

Australia was the 12th party to ratify the treaty since its adoption in June 2013 in Marrakesh, Morocco. Other countries that have joined the Marrakesh Treaty include El Salvador, United Arab Emirates, Mali, Uruguay, Paraguay, Singapore, Argentina, Mexico, Mongolia, Republic of Korea, Brazil, Peru, Democratic People's Republic of Korea, Israel, Chile, Ecuador, Guatemala and Canada.

The treaty now forms part of the body of international copyright treaties administered by the World Intellectual Property Organization.

THE AWARD-WINNING NATIONAL RELAY SERVICE APP

The National Relay Service (NRS) app won the M-Government service award in the international social affairs category at the World Government Summit in Dubai in early 2016. These annual awards are given by the United Arab Emirates for innovative services and solutions provided via mobile phone. This provided international recognition of the ground-breaking nature of the NRS app and the benefits it brings to users of the relay service in Australia.

The NRS app is a world-leading initiative that provides mobile access to a number of NRS call types. It is the result of a close collaboration between NRS contractors and the Department's Communications Accessibility Team.

The app works for any user of the NRS, regardless of the nature of their disability. Its support functions include the ability to use saved text to speed up the call set-up process. It also provides a range of 'quick phrases' for use while the call is in progress. These functions are not available to users of relay services anywhere else in the world.

Since its release in late 2014, the app has been downloaded more than 3,000 times, with the number of connections made by users of the app continuing to steadily grow each quarter.

The award was accepted by a representative from the Australian Embassy in the United Arab Emirates.

**the app has been downloaded
more than 3,000 times**



THIS PROGRAM CONTRIBUTES TO OUTCOME 2 BY ADMINISTERING A RANGE OF ACTIVITIES THAT SUPPORT EXCELLENCE IN THE ARTS AND CULTURE, DEVELOP AND PROMOTE ACCESS TO CULTURAL ACTIVITIES INCLUDING IN REGIONAL AND REMOTE AUSTRALIA, SUPPORT AND DEVELOP ABORIGINAL AND TORRES STRAIT ISLANDER ARTS AND CULTURE, SUPPORT AUSTRALIAN SCREEN PRODUCTION, AND PROTECT AUSTRALIA'S MOVABLE CULTURAL HERITAGE.

ACTIVITY: SUPPORT PARTICIPATION IN, AND ACCESS TO THE ARTS AND ENCOURAGE GREATER PRIVATE SECTOR SUPPORT FOR THE ARTS

2.1-A Our community impact

- **Access to quality artistic and cultural experiences and skills development opportunities.**

Targets, measurement, results

Our target is to maintain access to high-quality cultural experiences in regional and remote Australia and for Aboriginal and Torres Strait Islander peoples. We achieve this by administering a number of funding programs.

In 2015–16 we administered funding of \$1.2 million for 32 projects through Festivals Australia which supports arts activities at regional festivals. Funding of \$2.53 million supported the development and touring of eight exhibitions to regional Australia through Visions of Australia. Of all the arts and culture activities funded by Catalyst—*Australian Arts and Culture Fund*, 29 per cent were in regional locations and nine per cent were in remote or very remote locations.

In 2015–16, we administered \$3.3 million through the Regional Arts Fund to 345 recipients in regional and remote locations to support sustainable cultural development.

All activities supported by the Regional Arts Fund were based in regional and remote areas (including the ACT). All funded organisations met relevant program objectives to a high degree. Ninety-five per cent of applications were processed within the timeframes, with funding agreements acquitted in line with project timelines. We also revised the funding guidelines for the Regional Arts Fund, in consultation with key stakeholders, to streamline the delivery of the funding and reduce the level of reporting requirements on funded organisations.

Indigenous languages and art contribute to a strong sense of cultural identity and pride in Aboriginal and Torres Strait Islander communities. The Department managed the Indigenous Languages and Arts Program to invest more than \$22 million in more than 60 language activities, including a network of 50 language organisations to support the revival and maintenance of Indigenous languages.

The program also funded the development of 54 Indigenous arts projects.

The Indigenous Visual Arts Industry Support Program provided \$22.2 million in operational and Indigenous arts worker funding to 97 organisations, most of which are in remote communities. The funding supported 80 Indigenous-owned art centres, as well as art fairs, regional hubs and industry service organisations that support artists to produce and promote their work. More than 8,000 Aboriginal and Torres Strait Islander visual

artists and around 300 arts workers were able to generate income and engage in the nation's economy as a result of the program.

Our target is also to provide emerging Australian artists with access to high-quality, elite-level training in the performing arts. The Department administered funding to seven national elite performing arts organisations. Entry into the arts training organisations is highly competitive and in 2015–16, all seven institutions were fully enrolled after national, merit-based audition processes.

2.1-B Our effectiveness in achieving objectives and our efficiency in meeting goals

- Stakeholder satisfaction with the Department's effectiveness in supporting participation in, and access to, the arts.
- Total instances of policy advice, program work and legislative change that are on time, within budget and meet requirements.

Targets, measurement, results

Our target is to achieve effective and efficient administration of cultural and arts programs and legislation that support access to, and participation in, the arts, protect our cultural heritage and encourage private sector support of the arts. We provide timely policy and program advice to the Minister for the Arts on the programs we administer, board appointments, the portfolio and issues facing the sector.

The performance targets identified in the Attorney-General's Department Corporate Plan 2015–16 for arts-related activities depended on a survey of stakeholder satisfaction. This survey was not undertaken

when Arts was moved into the Department of Communications and the Arts—stakeholders needed to be given time to grow familiar with the updated administrative arrangements. Instead, the Arts areas delivering policy advice and administering projects have measured this aspect of performance through direct feedback and the level of stakeholder engagement in working towards the Government's goals.

We have worked closely with stakeholders on a range of projects including regional arts organisations on the revised funding guidelines for the Regional Arts Fund; the performing arts sector and state/territory governments during the National Opera

Review; with auction houses, collectors, museums and peak bodies during the review of the *Protection of Movable Cultural Heritage Act 1986*; and with Indigenous communities and overseas governments for the Indigenous Repatriation Program.

We managed a range of grant programs, bringing extensive experience in grants management to ensure compliance with funding guidelines and the Commonwealth Grants Rules and Guidelines.

In 2015–16 the lending rights programs made payments to 17,148 claimants which accounted for a 98.3 per cent successful payment rate by 30 June 2016 (exceeding the PBS target of 95 per cent). Authors and publishers were paid a combined total of \$9.8 million under the Public Lending Right program (7,492 claims) and \$12 million under the Educational Lending Right program (9,656 claims).

Under the Australian Screen Production Incentive, the Minister for the Arts issued final certificates for the Location Offset and Post, Digital and Visual Effects (PDV) Offset to 55 productions, which represented qualifying Australian production expenditure of \$241,524,205. The Film Certification Advisory Board issued 16 provisional certificates for the Location Offset and PDV Offset. The target of 80 per cent of applications (with all supporting documentation provided by applicants) being assessed within 15 weeks was not met in 2015–16 due to a doubling in the number of applications.

We administered the Foreign Actor Certification Scheme for screen performers entering Australia to work on film and television productions. In 2015–16, 115 foreign actors were certified. One hundred per cent of valid applications (those with all supporting documentation provided) to the Foreign Actor Certification Scheme were assessed within five working days.

As part of administering the *Protection of Movable Cultural Heritage Act 1986*, we received 102 applications for export permits and finalised 93 applications (including applications received in the 2014–15 financial year). We also handled 17 cases regarding the importation of cultural heritage objects that were allegedly illegally exported from another country. Three of these cases extend from previous years and six are ongoing. One hundred per cent of applications or referrals considered under the *Protection of Movable Cultural Heritage Act 1986* were processed and considered in accordance with the requirements of the Act.

We provided secretariat support to the independent review of the *Protection of Movable Cultural Heritage Act 1986*, which provides the basis for a comprehensive modernisation of the legislation.

The National Opera Review has continued throughout the year, releasing a Discussion Paper in September 2015 and conducting extensive consultation into 2016. The Review Panel, led by Dr Helen Nugent AO, is expected to provide its report to the Government by the end of 2016. The review is examining

the financial viability, artistic vitality and accessibility to audiences of Opera Australia, Opera Queensland, State Opera of South Australia and West Australian Opera.

The Indigenous Repatriation Program provided funding to eight major Australian museums for the repatriation of ancestral remains and secret sacred objects to Indigenous communities. We worked in partnership with Indigenous communities in New South Wales and facilitated international returns of Indigenous ancestral remains from the United Kingdom and the United States of America.

We are supporting the Government to create an environment in which arts organisations attract funding from a diverse range of sources. The Cultural Gifts Program, administered by the Department, endorsed

573 donations, valued at more than \$50 million, to more than 100 different collecting institutions across Australia. The number of cultural organisations eligible to receive tax-deductible donations also continued to grow: we added 75 cultural organisations to the Register of Cultural Organisations. There were 1,616 organisations listed on the register as at 30 June 2016. We administered funding of \$4.4 million to Creative Partnerships Australia, a Commonwealth company, to deliver a range of mentoring and training programs to develop the capacity of artists and organisations to attract private-sector support. This included \$1.75 million for the continuation of matched funding initiatives that helped more than 72 projects attract new donors and leverage greater private giving.

FESTIVAL OF PACIFIC ARTS GUAM 2016

The Festival of Pacific Arts is the world's largest gathering of Indigenous Pacific cultures. It is a four-yearly event, and this year's festival was the 12th. The festival provides a platform for artists to expand their audiences, develop practice and make connections.

A total delegation of 2,500 performers, artists and cultural practitioners from across 27 Pacific countries and thousands of visitors from across Asia and the Pacific participated. Fifty-nine artists represented Australia's Aboriginal and Torres Strait Islander cultures. They captivated festival-goers with traditional and contemporary visual art, theatre, film, dance and music along with workshops and demonstrations. Boomerang painting was a particular favourite this year.

Australian participants included:

- > Artists of Ampilatwatja
- > Bardi Dancers
- > Bianca Beetson
- > Delvene Cockatoo-Collins
- > Digi Youth Arts
- > Gina Williams
- > Injalak Arts
- > Jimblah
- > Mau Power
- > Naygayiw Gigi Indigenous Corporation
- > Ngardang Girri Kalat Mimini

- > Buku-Larrnggay mulka
- > Sharing Stories Foundation
- > Wayne Quilliam.

Australia's representation at the festival was supported by the Australian Government in partnership with the Torres Strait Regional Authority, Creative Victoria, Arts NT, the Western Australia Department of Culture and the Arts and the Queensland Government through Arts Queensland's Backing Indigenous Arts initiative. Our support for the festival is contributing to meeting our outcome of supporting and developing Aboriginal and Torres Strait Islander arts and culture.



Robert Wiggin (centre) of the Bardi Dancers on a gaalwa raft in the Traditional Seafarers Welcome.

ADDITIONAL ACTIVITIES

OUR TARGET IS TO POSSESS STRONG CAPABILITIES IN LEADERSHIP, STRATEGY AND DELIVERY TO ENABLE US TO BE THE GOVERNMENT'S PRE-EMINENT ADVISOR ON DIGITAL TECHNOLOGIES AND COMMUNICATIONS SERVICES.

ADDITIONAL ACTIVITIES: STRENGTHENING ORGANISATIONAL CAPABILITY

The Department will:

- 3-A Build on our strengths consolidating our 'well placed' and 'strengths' in stakeholder engagement and leading edge thinking/research; and address our development areas of Business Planning, Talent Management and Leadership Visibility and Aligned Behaviours.
- 3-B Evaluate stakeholder satisfaction with the professionalism and commitment of staff involved in supporting participation in, and access to, the arts.
- 3-C Increase the number of staff participating in secondment and job rotation opportunities.
- 3-D Deliver inaugural Crawford School policy development courses with a positive impact on staff development and engagement.

Targets, measurement, results

Our target is to build on our identified strengths in stakeholder engagement, leadership, workforce capability and talent management, and business planning and resource allocation.

As part of a program of external reviews, the Australian Public Service Commission undertook a capability review of the Department of Communications in 2014–15 and delivered its report in February 2015. In 2015–16, we worked to address the findings of the report. Following the integration of arts, classification and copyright functions with the Department, we also examined the related capability reviews of previous agencies.

As a result, we:

- > Continued to embed stakeholder engagement practices into the workplace through information and guidance for staff

on our intranet and strategic discussions with our Executive about our important stakeholder relationships.

- > Put in place new business planning processes to link the Department's strategic goals with line areas' work plans and individual performance plans.
- > Instituted new forums for the Department's Executive Leadership Team to meet with staff and informally discuss their experience and thoughts on leadership, Australian Public Service (APS) transformation and departmental culture.
- > Supported a variety of secondment and job rotation opportunities in 2015–16 for periods between three weeks and one year.
 - Twelve of our employees were seconded to organisations within our portfolio and across government and seven employees, from the APS

and NSW Government, joined us. Organisations that employees were seconded to included ABC, NBN Co, the ACMA, the Digital Transformation Office, the Department of the Prime Minister and Cabinet, Australian Bureau of Statistics, Department of Industry, Innovation and Science, IP Australia and NSW Treasury.

- A staff member was seconded to the Digital Transformation Office to assist in the development of the GOV.AU platform and build our capability in relation to user-centred design

and agile approaches to project development.

- > Stakeholder satisfaction with the professionalism and commitment of staff involved in delivering arts outcomes has been assessed through direct feedback and the level of stakeholder engagement in working towards the Government's goals as described at 2.1-B.
- > We delivered the Policy Essentials program to 20 APS and EL level policy staff in partnership with the Australian National University Crawford School of Public Policy.

- 3-E The Department's policy advice will draw on increasingly diverse and robust data and data analytics provided by its Market Analysis Teams and the Bureau of Communications Research.**
- 3-F The Department will enhance its ability to effectively respond to new issues and initiatives through a rigorous but agile project methodology, led by its Projects Office.**

Targets, measurement, results

Our target is to deliver quality policy advice by drawing on robust and diverse data sets and using the capability of our Project Office to respond effectively to new issues and initiatives.

The Market Analysis Teams and the Bureau of Communications Research (BCR) have worked to deliver market insights across the portfolio.

The Market Analysis Teams have worked with policy areas to gain a greater understanding of markets, how new technologies could

be applied, as well as regulatory and other trends and their possible impacts. The teams have continued to scan and monitor Australian and overseas jurisdictions to inform development of more future-oriented policy across Infrastructure, Consumer, Content and Arts divisions.

The BCR engaged with other government agencies and with academia and businesses through the BCR Advisory Committee.

The Projects Office was established in May 2015 to provide us with the agility to work on complex policy issues that require an analytical

approach, involve unanticipated issues, have a cross-portfolio impact, and need engagement with multiple stakeholders and experts.

In its first year, the Projects Office has:

- > put in place a departmental project management methodology that allows for clear scoping and rapid delivery of projects within a set time period
- > led a review of the objectives, functions, structure, governance and resource base of the ACMA to ensure it remains fit-for-purpose for both the contemporary and

future communications regulatory environment

- > scoped initiatives that would help to strengthen our ability to look for innovative solutions to organisational challenges – this helped inform our whole of department Innovation Strategy
- > given staff the opportunity to work on individual projects in the office. This has developed our staff's capability in scoping and planning, policy analysis, communications and project management.

3-G APS Census shows that the Department equals or exceeds other policy departments in relation to staff engagement, organisational culture and flexible learning and working measures.

Targets, measurement, results

Our target is to have a positive, inclusive workplace and a highly effective workforce that embodies the best aspects of Australian Public Service culture. We measure this through the APS Census.

In the 2016 APS Census:

- > Our response rate to the 2016 survey was 77 per cent, eight per cent above the APS response rate of 69 per cent.
- > Employee engagement with their jobs and with the Department remained consistent with those reported by overall APS scores, and with other policy agencies.

> Eighty-one per cent of respondents agreed that they have access to effective learning and development. This is four per cent higher than in 2015, eight per cent higher than policy agencies and 17 per cent higher than the APS overall.

- > Our response to flexible work arrangements was positive, with 71 per cent of staff satisfied with their ability to access and use the arrangements. This response is on par with our 2015 result and the APS, although slightly below other policy agencies.
- > Seventy-six per cent of respondents are satisfied with the work-life balance in their current job. This is slightly higher than in 2015, other policy agencies and the APS overall.

3-H The Department is assessed as a government leader in effective and innovative use of leading-edge information and communication technologies.

Targets, measurement, results

Our target is to continue to demonstrate leadership in the use of effective and innovative leading-edge information and technologies.

As a digital leader in the Australian Government, we continued to build on our strong digital foundation in 2015–16, by:

- > continuing to enhance our communications.gov.au website, including further refinement to Have Your Say, a platform for engaging stakeholders and the public in our policy work
- > delivering an intranet that includes internal social collaboration and allows staff to create their own news, blogs or content pages

- > delivering digital literacy training for our staff
- > transitioning to new IT Infrastructure Managed Services with our outsourcing vendor ASG Group
- > redeveloping our [arts.gov.au](#) website
- > being the first Commonwealth agency to work closely with the Digital Transformation Office on the beta version of GOV.AU.

We have also shared our learnings with other agencies at a range of forums and briefings throughout the year. Working with our vendor, we have offered to share the code for our intranet with other government agencies. The Have Your Say function has been packaged as a module for other government agencies to use in the govCMS community.

3-I A departmental Digital Transformation Plan (DTP) is developed and implemented with services that meet or exceed the Digital Transformation Office's Digital Service Standard.

Our target is to collaborate with the Digital Transformation Office (DTO) to identify ways we can continue to transform our online information and services in line with the Digital Service Standard.

As an early adopter, we developed a draft Digital Transformation Plan in 2015–16 that identified ways to accelerate digital transformation in our Department. We anticipate the plan will be progressed to support the broader Digital Transformation Agenda in 2016–17, following further consultation with, and advice from, the DTO.

BUREAU OF COMMUNICATIONS RESEARCH



The Bureau of Communications Research (BCR) is the Department's in-house economic and statistical research capability. It supports the Government by providing research and conducting economic and data analysis on communications and arts portfolio issues and informing discussion and debate.

The BCR's work supports fact-based policy development within the Department. The BCR has undertaken research on economic and technological developments, analysed communications and arts trends and issues, and stimulated informed discussion on these issues. The BCR works closely with other parts of the Department to gather ideas and share data and resources. It has been a key contributor to information on the intranet that helps to better understand the issues affecting the communications sector and has actively supported the Department's InFocus series of events.

Much of the BCR's work is commissioned within the Department.

The BCR's work in 2015–16 included reviews into:

- > NBN Co's non-commercial services, including transparent, competitively neutral funding options
- > geospatial mapping and analysis services for cross-department functions including the Mobile Black Spots Database and Mobile Black Spots Proposed Coverage
- > the quality and availability of information and communications technology (ICT) statistics in Australia. This was a joint review with the Australian Bureau of Statistics.

the BCR has been a key contributor to information on the intranet

Our intranet is a leading-edge platform for staff to communicate with each other. It is a dynamic, collaborative resource that staff use to exchange information, for example through profile-enabled social feeds and blogs.

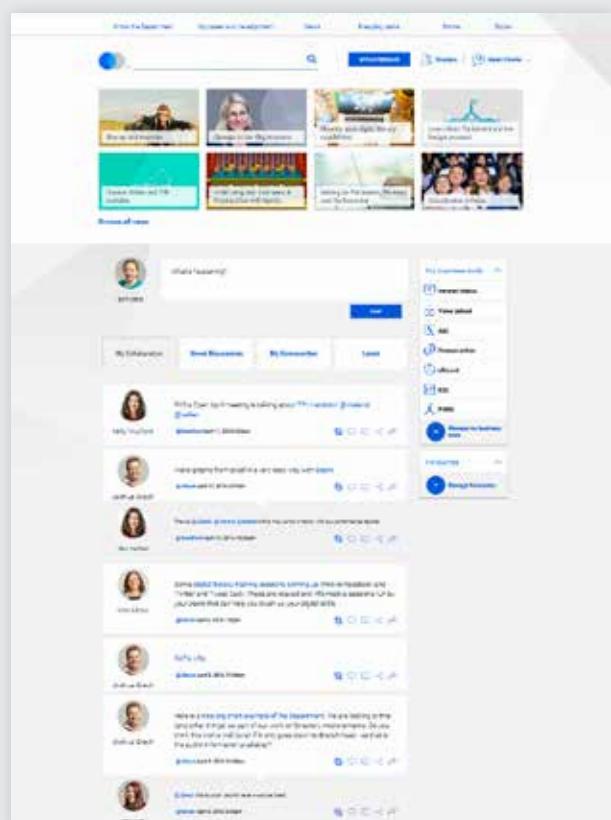
Anyone can create news items and update content without an approval workflow process. Our decision was based on the principle that it is more important to share knowledge internally when it is needed than to have perfectly polished content.

This is part of our approach to information and communication technologies: we are an early adopter; we refine the way we use technology in response to user needs.

We have continued to develop the platform with the changing needs of the organisation and staff feedback since it was launched in July 2015. This approach helps us demonstrate digital leadership, enabling real collaboration and empowering staff as we have committed to in our Corporate Plan.

This has been a successful approach to staff communications that is being noticed across government. Other agencies are now looking to adopt the platform using the code we developed, the first of which will be Geoscience Australia. This type of sharing is a cheaper, faster, lower-risk way of building services across government, and we are helping to lead the way.

Recognising the approach we have taken, on 27 June 2016 we received an ACT iAward for our intranet in the Infrastructure and Platform Innovation of the Year category.



THE DEPARTMENT ACHIEVED THE MAJORITY OF ITS TARGETS IN 2015–16, AND MADE GOOD PROGRESS IN ITS ONGOING OBJECTIVE TO PROMOTE INNOVATIVE CULTURAL AND COMMUNICATIONS SECTORS THROUGH POLICY, PROGRAM AND SERVICE DELIVERY TO THE BENEFIT OF ALL AUSTRALIANS.

During this time, a number of environmental and operational factors had the potential to impact the Department's performance:

- > In September 2015, machinery-of-government changes combined responsibility for communications, arts, copyright and classification functions into a single Department of Communications and the Arts. The Department committed work and time in transferring staff to the same IT environment, moving Canberra-based arts and copyright staff to the Department's offices at 38 Sydney Avenue, and putting in place necessary financial and administrative processes. Although this placed pressure on a comparatively small department, delivery of work was aided by:
 - arts staff being well-practiced in handling machinery-of-government changes
 - useful advice and assistance from the Attorney-General's Department, and particularly its corporate area during the early stages of the transition
- the Department's move of core IT systems to the cloud, which helped ramp up system capacity for additional users and assisted in delivering access to the Classification Branch's Sydney Office.
- > The Department established a branch specifically addressing regional communications issues.
- > The Productivity Commission initiated inquiries relating to matters of strong policy interest to the Department: Intellectual Property Arrangements (covering copyright, amongst other property rights) and the future direction of a universal service obligation in the telecommunications market. Even before the inquiries conclude with final reports, the additional discussion and analysis has been useful to the Department in developing well-rounded advice.
- > The Parliament was prorogued ahead of the 2016 Federal Election. As a result, a number of pieces of pending legislation lapsed and will need to be re-introduced when Parliament recommences.

Stakeholder and public engagement in the reviews, inquiries and other activities undertaken by the Department was constructive, well-informed and active, and greatly assisted our work.





SECTION 3

MANAGEMENT AND ACCOUNTABILITY

This section of the report provides information about: Corporate governance, external scrutiny, management of human resources, asset management, consultants, Australian National Audit Office clauses, exempt contracts, procurement initiatives to support small business, the work done by our corporate and legal teams to help us achieve our priorities.

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CORPORATE GOVERNANCE

Compliance with section 10 of the Public Governance, Performance and Accountability Rule (PGPA Rule)

Our Fraud Control arrangements comply with section 10 of the PGPA Rule and the Commonwealth Fraud Control Policy. A fraud risk assessment is being carried out across the Department in recognition of machinery-of-government changes that saw us gain new functions during 2015–16. Our last department-wide fraud risk assessment was carried out in 2014–15. It found we had no significant gaps in our existing fraud controls.

Compliance with section 19 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and sections 17A(2)(d) and (e) of the PGPA Rule

There were no instances of significant non-compliance with finance law reported in 2015–16.

MANAGEMENT COMMITTEES

EXECUTIVE LEADERSHIP TEAM

The Executive Leadership Team (ELT), comprising the Secretary, Deputy Secretaries, First Assistant Secretaries, General Counsel and Chief Economist, meets weekly and provides support to the Secretary in discharging her statutory roles as:

- > principal policy advisor to the Minister for Communications, Minister for the Arts, and Minister for Regional Communications
- > manager of government programs to achieve portfolio and whole-of-government outcomes
- > leader within the Department and across the Australian Public Service
- > an Accountable Authority under the *Public Governance, Performance and Accountability Act 2013*.

The ELT supports the Secretary through:

- > providing collective advice on whole-of-department issues
- > collaborating across internal boundaries on policy development, resource management and organisational capability development
- > actively promoting and modelling the Department's agreed culture and corporate values.

AUDIT COMMITTEE

The Audit Committee provides independent advice and assurance to the Secretary on the appropriateness of financial and performance reporting, the system of risk oversight and management, and internal controls.

The Audit Committee comprises external and internal members and has an independent Chair. As required under the relevant PGPA rule, the majority of the members of the audit committee are external.

The Audit Committee met six times in 2015–16.

INVESTMENT COMMITTEE

The Investment Committee provides strategic advice to the ELT on our significant financial investments, including implementation and management. It also considers proposals and provides guidance on investments from a medium to long-term point of view.

Membership for 2015–16 was:

- > Chair
- > Deputy Chair
- > six members including two with specialist expertise
- > two observers.

The Investment Committee met four times in 2015–16 and considered items out-of-session on two occasions.

HEALTH AND SAFETY COMMITTEE

The Health and Safety Committee is a key forum that supports our safety culture. It is an integral component of our Work Health and Safety (WHS) framework and has responsibility for achieving positive outcomes for the Department in the management of WHS issues. There were four Health and Safety Committee meetings during the 2015–16 period.

WORKPLACE CONSULTATIVE COMMITTEE

The Workplace Consultative Committee is the principal forum through which formal consultation and discussions on workplace relations matters take place between management and employees. There were five Workplace Consultative Committee meetings during 2015–16.

BUSINESS PLANNING FRAMEWORK

Our Business Planning Framework includes the identification, documentation and regular monitoring of risk and mitigation strategies.

RISK MANAGEMENT AND FRAUD CONTROL

We engage with risk in a positive and transparent way, promoting a culture that encourages rigorous risk assessment, informed risk taking and anticipation of risk in the pursuit of our objectives. We establish and maintain systems of risk oversight, management and internal controls in accordance with section 16 of the PGPA Act and the Commonwealth Risk Management Policy. Our risk oversight includes regular monitoring and reporting on the risk environment to both the Audit Committee and the Executive Leadership Team (ELT).

Our risk management framework includes our Risk Management Policy, Risk Management Instruction and Fraud Control Plan. It was reviewed and updated in 2015–16.

BUSINESS CONTINUITY PLANNING

We have a Business Continuity Plan that outlines policies, procedures and responsibilities to ensure that we can continue our key activities in the event of a business interruption. The plan is reviewed and updated regularly. It was updated in 2015–16 to incorporate the lessons learnt from a disaster recovery exercise.

INTERNAL AUDIT

During 2015–16, internal audit services were provided by KPMG, Ernst & Young and RSM Australia. These were traditional performance audits as well as a short ‘in-flight’ audit. The delivery of these audit services was overseen by our internal audit team and the Audit Committee.

As at 30 June 2016, four audits were completed and one was still underway.

Recommendations were tracked and reported to the Audit Committee and Secretary.

EXTERNAL SCRUTINY

In 2015–16, we took part in the following Australian National Audit Office (ANAO) cross-portfolio audits:

- > *Implementing the Deregulation Agenda: Cutting Red Tape*—published 4 May 2016
- > *Audits of the Financial Statements of Australian Government Entities for the period ending 30 June 2015*—published 17 December 2015
- > interim phase of the audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2016.

We also took part in an ANAO performance audit of the award of funding under the Mobile Black Spot Program. The Department's response to the audit is included at paragraph 19 and Appendix 1 of the ANAO's report.³

During 2015–16, the Commonwealth Ombudsman received three approaches about our Department. Responses were finalised at the end of the reporting period. None of the queries were investigated.

CLIENT SERVICE CHARTER

Our Client Service Charter offers a contact point for clients to resolve complaints with us. No formal complaints were received during the reporting period.

FREEDOM OF INFORMATION (FOI)

We received 55 Freedom of Information (FOI) requests in 2015–16. While this is an increase from 2014–15 (when 31 requests were received), similar numbers of FOI requests have been received in earlier years. The increase is associated with the processing of additional FOIs associated with the Arts portfolio, as well as continued interest in the national broadband network rollout. Documents released through FOI are published in our FOI Disclosure Log,

unless an exception applies under the *Freedom of Information Act 1982* (FOI Act).

Entities subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

Visit our website to view our Information Publication Scheme Plan and FOI Disclosure Log.

PARLIAMENTARY COMMITTEE INQUIRIES

During 2015–16, we appeared before the Senate Standing Committee on Environment and Communications for Supplementary Budget Estimates, Additional Budget Estimates and Budget Estimates.

We also made appearances before, and submissions and responses to, parliamentary committee inquiries during the year.

³ Award of Funding under the Mobile Black Spot Programme published 1 September 2016.

Table 3.1 Appearances before, and submissions and responses to, parliamentary committee inquiries

Committee	Inquiry
Senate Standing Committees on Environment and Communications—legislation committee	<ul style="list-style-type: none"> > Telecommunications Legislation Amendment (Access Regime and NBN Companies) Bill 2015 > Broadcasting Legislation Amendment (Media Reform) Bill 2016 > Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices [supported the Government's response to the Committee's report]
Senate Standing Committees on Legal and Constitutional Affairs—legislation committee	<ul style="list-style-type: none"> > Copyright Amendment (Online Infringement) Bill 2015
Parliamentary Joint Committee on Human Rights	<ul style="list-style-type: none"> > Radiocommunications (27 MHz Handphone Stations) Class Licence 2015 > Omnibus Repeal Day (Spring 2014) Bill 2014 > Telecommunications (Interception and Access) Amendment (Data Retention) Bill 2014
House of Representatives Standing Committee on Petitions	<ul style="list-style-type: none"> > Mobile phone reception in Sulphur Creek, Tasmania > Broadband services in Forster Keys > Regarding the relocation of the Craigieburn Post Office > Broadband services in Burnett Heads > Telecommunications in Burnett Heads > Preserving historic motor vehicles in Australia under the <i>Protection of Moveable Cultural Heritage Act 1986</i> (no.1) > Preserving historic motor vehicles in Australia under the <i>Protection of Moveable Cultural Heritage Act 1986</i> (no.2)
Senate Petitions	None

Committee	Inquiry
Senate Standing Committee for the Scrutiny of Bills	<ul style="list-style-type: none"> > Omnibus Repeal Day (Spring 2015) Bill 2015 > Communications Legislation Amendment (Deregulation and Other Measures) Bill 2015 <p>Scrutiny of Bills Reports: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Scrutiny_of_Bills/2015/index</p>
Senate Standing Committee on Regulations and Ordinances	<ul style="list-style-type: none"> > Radiocommunications Advisory Guidelines (Protection of Apparatus-licensed and Class-licensed Receivers - 2 GHz Band) 2015 > Radiocommunications Licence Conditions (Outpost Licence) Determination 2015 > Radiocommunications (Overseas Amateurs Visiting Australia) Class Licence 2015 > Radiocommunications (Radio-controlled Models) Class Licence 2015
Joint Standing Committee on Treaties	<ul style="list-style-type: none"> > Ratification of the Decisions of the 2012 Doha Congress: Universal Postal Union: General Regulations of the Universal Postal Union, Universal Postal Convention, Final Protocol of the Universal Postal Convention and Postal Payment Services Agreement
House of Representatives Standing Committee on Infrastructure, Transport and Cities	<ul style="list-style-type: none"> > Inquiry into the role of Smart ICT in the design and planning of infrastructure
Senate Select Committee on the National Broadband Network	<ul style="list-style-type: none"> > In November 2013 the Senate established a Select Committee on the National Broadband Network (NBN) to inquire into and report on the Government's reviews of the NBN and the governance of NBN Co Ltd, with interim reports as the committee sees fit and a final report on or before 10 June 2014. > On 14 May 2014, the Senate agreed to extend the date for the presentation of the final report to the last sitting day of the 44th Parliament. > Interim reports were tabled on 26 March 2014 and 19 March 2015. > The Select Committee concluded its inquiry when it tabled its report on 4 May 2016.

Committee	Inquiry
House of Representatives Standing Committee on Communications and the Arts	> Inquiry into broadcasting, online content and live production to rural and regional Australia

LEGAL SERVICES

The Office of the General Counsel provided legal advice about portfolio issues and transactions, including:

- > NBN legal issues
- > Mobile Black Spot Program (rounds 1 and 2)
- > media reform
- > spectrum reform
- > better practice regulation
- > departmental procurement and grants contracts
- > FOI requests.

During 2015–16, the Office of the General Counsel provided input on eight bills and 31 legislative instruments. Appendix 3 provides further details about legislation.

DIGITAL COMMUNICATIONS

We continued to build on the strong foundations put in place last financial year to position ourselves as a digital leader in the Australian Government. This included continuing to refine the [communications.gov.au](#) website and 'Have Your Say' policy consultation section; reviewing the information architecture and content of the [arts.gov.au](#) website; being the first government department to work closely with the Digital Transformation Office on the development of a Beta version of the whole of government GOV. AU site; and releasing our new intranet to staff in July 2015.

We continued to support the successful implementation of broader policy and program initiatives across the Department. We did this through the delivery of traditional media materials while also reviewing and launching our new social media strategy. This strategy identifies appropriate channels and types of content that will help us explain the policy and program work we deliver, while also building on our ability to engage with stakeholders and the community.

This strategy is being refined to ensure it also can meet the needs of audiences in the arts sector. We have seen an increase of 24 per cent in the number of followers on our @CommsAU Twitter account, and an increase of 73 per cent in our communications and arts LinkedIn account. The @artsculturegov Twitter account continues to be one of the most followed accounts in government, with more than 190,000 followers.

We also supported communication of government priorities with our ongoing support of ministerial offices, providing communication and media materials as appropriate.

Our Digital Communications branch developed our first Innovation Strategy. From July 2016, we will trial an online tool so our staff can more easily give their ideas about how we can better respond to organisational challenges.

INFORMATION TECHNOLOGY

In 2015–16, we continued to build on our investment in a desktop mobility solution, embedding a digitally-based flexible and collaborative workplace culture. This versatile IT solution was rolled out in 2014–15 and provides staff in all of our six offices with mobile access to all our systems supported by wireless networks. The solution, including direct access laptops, Microsoft's Direct Access technology and Skype for Business, gives staff mobility and removes the need to carry vast reams of paper to meetings.

In June 2016, we developed a successful encrypted digital solution combining MobileIron and Dossiere that is robust and easy to use for Ministerial papers.

We transitioned to new Infrastructure Managed Services with our outsourcing vendor ASG Group.

The Arts Division (including Artbank), Classification Branch and Copyright team were successfully transitioned over to our ICT services.

ENVIRONMENTAL PERFORMANCE

We have maintained our commitment to continuing and improving our environmental performance through a number of initiatives. These included:

- > recycling printer toner cartridges through the 'Cartridges 4 Planet Ark' program
- > continued organic waste recycling of biodegradable materials and food waste
- > disposing used batteries (A size) from wireless IT equipment at recognised battery recycling depots.

These initiatives have let us minimise our environmental footprint. We also considered the environment in our procurement activities by making sure office equipment and whitegoods were replaced with energy efficient models.

**COMPLIANCE OF SECTION 24Y OF
THE AUSTRALIAN BROADCASTING
CORPORATION ACT 1983**

We provided secretariat support to the independent Nomination Panel for ABC and SBS Board Appointments (the Panel) for two merit-based selection processes. The first process involved two non-executive Director positions on the ABC Board, which were filled in November 2015. The second process, which will be completed in 2016–17, involves the SBS Chairperson position and two non-executive Director positions on each of the ABC Board and the SBS Board.



STAFF ENGAGEMENT

We are continually building an organisational culture in which our values and behaviours make the Department a great place to work. Targeted activities aimed at building staff engagement and embedding culture are delivered through the Departmental Engagement Taskforce (the taskforce), the InFocus program and, more broadly, through key human resources initiatives and programs.

The taskforce provides a forum for groups to collaborate and drive initiatives, enhancing our culture in a coordinated way. The groups and networks represented on the taskforce include the:

- > Social Club
- > Social Media Network
- > Gender Equality Network
- > Innovation Network
- > Workplace Consultative Committee
- > Executive Leadership Team
- > Graduates.

The taskforce meets regularly to ensure individual network/group events are aligned with our broader cultural objectives.

The taskforce worked with the various networks across the Department on events throughout the year designed to support staff development and collaboration in a number of different areas.

The InFocus program is designed to encourage staff engagement and collaboration through events, workshops and masterclasses that contribute to culture and build capability and knowledge. This year's themes included:

- > Innovation: Dream, Dare, Do—a celebration of innovation as part of an APS-wide initiative
- > Risky Business—exploring risk in the context of the work we do
- > Consumer InFocus—shining the light on the consumer as central to government policy and delivery
- > Building our future InFocus—looking at where we are heading as a department
- > BCR InFocus—the ‘what, when, how and why’ of the Bureau of Communications Research.

CAPABILITY DEVELOPMENT AND PERFORMANCE IMPROVEMENT

In 2015–16, we led the way in capability development with the depth and scope of opportunities for staff and managers. We offered a vast array of courses ranging from practical, core writing skills courses to high-level policy development seminars.

A unique flagship program is Policy Essentials—delivered in partnership with the Crawford School of Public Policy at the Australian National University to develop the next cohort of policy professionals in the Department. This tailored program covers

many aspects of policy work, including economics, policy writing, stakeholder engagement, use of evidence, and data evaluation. Each workshop is delivered by a leading academic supported by our own internal experts. Feedback from participants has been overwhelmingly positive.

Leadership development is a key element of our talent and succession planning. The Leadership and Management Program (LAMP) focuses on enabling managers to build relevant knowledge and skill to be more confident and effective in exercising leadership in different ways as well as performing the operational aspects of their roles efficiently.

In addition to this internal program, several staff have participated in the APSC leadership programs: the APS EL2 Leadership in practice and EL2 Leadership expansion programs, which aim to strengthen the leadership capability of mid-level managers across the APS.

We also supported effective leadership by placing a priority on meaningful, honest and ongoing conversations focused on developing, rewarding and supporting staff at all levels. The revamped Performance Conversations Framework encourages a high performance culture and aligns departmental and individual objectives. These resources will continue to strengthen the capability and confidence of our staff to have conversations that drive improvement, lift engagement and increase performance across the workforce. There was also a strong focus on priority core skills such as parliamentary processes and legislation.

Taking into account the changing nature of work and the skills we need, we provide a blended learning approach. We have continued to enhance Learnhub, our comprehensive learning management system, which has 20 self-paced online training courses. These include e-learning modules on APS foundation programs such as security, fraud, Workplace Health and Safety (WHS), communication and recruitment.

We encourage higher education, providing study assistance through financial reimbursement and leave to staff who are completing relevant formal studies. We supported 20 staff in 2015–16.

WORKPLACE DIVERSITY

In June 2016, we launched our *Diversity and Inclusion Strategy 2016–19*. The strategy demonstrates our commitment to ensuring an inclusive and professional workplace that values and supports diversity and outlines our ambition to be an employer of choice. We are focused on attracting, recruiting, developing and retaining a diverse workforce, through inclusive leadership, culture and flexible work, and use of digital technologies.

Our strategy is underpinned by action plans to support seven diversity areas:

- > Disability Access and Inclusion
- > Indigenous Employment
- > Carers

- > Generational
- > Culturally and Linguistically Diverse
- > Gender Equality
- > Lesbian, Gay, Bisexual, Transgender and Intersex.

The Secretary represents the Department as the Disability Champion on the APS Disability Champions Network and the Secretaries Equality and Diversity Committee. The Secretary is also on the Diversity and Inclusion Committee.

Our Diversity and Inclusion Committee will have an initial focus on gender equality in line with the *Balancing the Future: Australian Public Service Gender Equality Strategy 2016–19* and disability access and inclusion outlined in *As One: Making it Happen, the APS Disability Employment Strategy*.

We are well equipped to deliver on our action plans with the support of our digital technologies. In September 2015, we presented to the ICT Accessibility Community of Practice on our workforce mobility project. The presentation outlined how we facilitated collaboration across our Department. It examined how we have created an environment in which staff have access to leading-edge technology and the flexibility and agility to seamlessly interact with anyone, anywhere, at any time.

We also participated in the Inter-Agency Accessibility Support Unit (IASU) pilot. The IASU provided practical support pathways for people with disability who require the use of assistive technology software in the workplace. It also provided advisory and support services for human resources personnel who are responsible for procuring and assigning assistive technology as reasonable adjustments.

We participated in a range of APS networks such as the APS Disability Champions Network, the APS Disability Employment Working Group and the APS Indigenous Employment HR Forum. We also participated in the whole of government APS Indigenous Graduate Program, although were unsuccessful in engaging a Graduate in 2016.

As at 30 June 2016, we have 19 ongoing and two non-ongoing employees who identified as Indigenous (3.66 per cent of our employees). In 2014–15 we had only three ongoing employees who identified as Indigenous (0.7 per cent of employees).

We have continued to focus on Indigenous employment and implementing the *Commonwealth Aboriginal and Torres Strait Islander Employment Strategy*. The Department is required to achieve a minimum target of 2.5 per cent representation of Indigenous employees by 2018.

We will continue our focus on diversity in 2016–17 by adopting and promoting initiatives including the Panel Pledge and through our involvement in networks such as the Indigenous Employment HR Forum and the Disability Employment Working Group.

REWARD AND RECOGNITION

Our reward and recognition program *#thankyou* supports a strong culture of informal recognition, where exemplary values and behaviours are meaningfully acknowledged in real time. Our staff have indicated that they value recognition, often in the form of a simple 'thank you' for a job well done. Other forms of informal recognition include use of the '#thankyou' for online acknowledgment through our social intranet, sharing stories through an internal newsletter, morning teas to celebrate significant outcomes, an internal video library where staff can upload a thank you to their colleagues and staff, and LinkedIn endorsements for relevant skills.

#thankyou approaches formal reward as a tool to recognise the highest of achievements and the most exemplary demonstrations of our departmental culture. There are two formal components: the annual Australia Day Achievement Awards, held in January, and the Secretary's Award, held in July.

The inaugural Secretary's Award was awarded in July 2015. The Secretary's Award recognises exemplary behaviours and significant contributions that support the development of our desired departmental culture. Staff across all levels and divisions submitted a total of 30 nominations for individuals and teams. The Award went to Cyndee Davis, an Executive Level 1 officer from the Digital Productivity Division, for her significant and ongoing involvement with the Social Club, Workplace Consultative Committee and Innovation Month.

There were 20 nominations received for the 2016 Australia Day Awards, with two individuals and seven teams recognised for their outstanding achievements.

WORKFORCE PLANNING

Following the 2014 organisational restructure and the machinery-of-government changes in 2015, our workforce planning strategy has focused on engaging, sourcing and recruiting employees to ensure that we attract only the most talented candidates.

We have worked with our selection panels to broaden their approach to sourcing and securing talent and have also encouraged our staff to use their networks to reach candidates. By educating our managers on best practice we are ensuring that our recruitment practices are contemporary, efficient and effective and are conducted by skilled panels.

We continue to build and communicate our employee value proposition that will differentiate us in the labour market and position us as an employer of choice in the APS. We work in an exciting and fast-paced sector with engaging content, our work touches every household and business in Australia and we are supported by a leading edge IT Mobility solution and flexible work arrangements.

Another focus continues to be our entry-level programs, which are critical to maintaining an internal pipeline of innovative and skilled employees who can be developed to become future leaders.

SECONDMENT PROGRAM

Our secondment program continued to be a valuable mechanism for building our capability and enhancing organisational relationships and connections. Secondments lasted from three weeks to one year: 12 of our employees took secondments to external organisations in 2015–16 and seven employees joined us from other agencies.

During Healthy Living Month, the interactive Health Hub was also launched, providing an online platform for staff to share ideas on maintaining a healthy lifestyle. Health Hub hosts a range of resources such as podcasts, case studies, phone apps and tips that can be integrated into everyday life around nutrition and fitness.

We received no Provisional Improvement Notices and had no notifiable incidents during 2015–16.

FLEXIBLE WORK

Our Flexible Work Arrangements Policy sets out the principles to increase workforce agility and flexibility. It provides employees with the opportunity to enhance work-life balance. Employees are also supported to work flexibly by leading edge information and communication technologies such as laptop computers and access to Skype for Business.

DISABILITY REPORTING

We are a member of the Australian Network on Disability (AND). In 2015–16, we raised our membership level to gold. We participated in, and hosted, round-table discussions, we accessed support and advice for managing staff with disability, and we tapped into expertise to ensure our processes are inclusive. This year we sponsored the sell-out AND Annual National Conference, *Enabling Change Creating Impact*.

Several employees were engaged through the *Stepping into* program which provides experience for the employee in the workplace and builds disability confidence and skills managing people with disability in the workplace. We hosted two interns in the summer 2015–16 program, and another five positions have been offered for the winter 2016 program.

WORK HEALTH AND SAFETY

Work health and safety of staff is always a priority for us. During April 2016, there was an extra focus on wellbeing through Healthy Living Month. This was aimed at encouraging staff to participate in activities that promote a healthy body and mind. During the month there was a range of workshops, seminars and online resources on offer.

Since 1994, Australian Government departments and agencies have reported on their performance as policy advisor, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010–11, entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at www.dss.gov.au.

TERMS AND CONDITIONS OF EMPLOYMENT

ENTERPRISE AGREEMENT

Our Enterprise Agreement came into effect on 7 August 2015 and nominally expires on 7 August 2018. The agreement covers all non-SES staff employed under the *Public Service Act 1999* and allows for an increase of 4.5 per cent over the three-year agreement.

On 1 April 2016, the Secretary exercised her powers under section 24 (1) of the *Public Service Act 1999*, raising the original pay increase to six per cent over three years.

As at 30 June 2016, the Agreement covered 592 staff.

SENIOR EXECUTIVE SERVICE (SES) REMUNERATION

The terms and conditions of employment for SES staff are contained in individual determinations made under sub-section 24(1) of the *Public Service Act 1999*. These instruments set the remuneration and employment conditions for SES staff and provide for non-salary inclusions relating to leave arrangements and entitlements, superannuation, salary sacrifice, travel and either a motor vehicle under the Executive Vehicle Scheme (or payment of an allowance in lieu of a motor vehicle).

See Appendix 4 for statistics on employment instrument coverage and SES remuneration.



InFocus is a key cultural initiative that supports on-the-job learning by delving deeply into a theme that inspires and motivates us.

Every two months, we invite key industry leaders and our own subject matter experts to present thought-provoking ideas, share knowledge and stimulate discussion. Events can include keynote presentations, interactive demonstrations, panel discussions, hypotheticals, fireside chats and practical workshops.

During this past year, we explored topics as wide ranging as the challenges of esafety for children, behavioural economics, seeking the courage to innovate and making risk management exciting, along with demonstrations of technologies such as augmented reality, 3D printing and drones.

Presenters have included:

- > The Hon Malcolm Turnbull, MP, Prime Minister of Australia (then Minister for Communications)
- > Paul Shetler, Chief Executive Officer, Digital Transformation Office
- > Duc Do, Head of Emerging Technology and Platforms, Australia Post
- > Kate Hughes, Chief Risk Officer, Telstra
- > Teresa Corbin, Chief Executive Officer, Australian Communications Consumer Action Network
- > Alastair McGibbon (the then Children's eSafety Commissioner)
- > Rod Sims, Chairman, Australian Competition and Consumer Commission
- > Hal Varian, Chief Economist, Google
- > Michael Milton, Paralympian and motivational speaker.

Now in its second year, InFocus is led by the senior executive. We see it as a fundamental part of our cultural identity.



THIS SECTION SHOULD BE READ IN CONJUNCTION WITH OUR AUDITED FINANCIAL STATEMENTS FOR 2015–16, WHICH APPEAR IN THE FINANCIAL STATEMENTS SECTION OF THE REPORT.

FINANCIAL OVERVIEW

Following the changes to the Administrative Arrangement Orders (AAOs) of 21 September 2015, the Department assumed responsibility for cultural affairs, classification, and copyright functions. In addition from 1 July 2015 the Telecommunications Service Agreements and Grants function was assumed from the Telecommunications Universal Service Management Agency.

DEPARTMENTAL FINANCES

The Department's net cost of services for 2015–16 was \$104.8 million, with revenue from government of \$99.9 million, resulting in an operating deficit of \$4.9 million. The surplus excluding depreciation was \$0.3 million.

The additional functions transferred from the AAOs were the primary driver for the increases to total expenses of \$11.2 million, total income of \$11.6 million and net assets of \$41.1 million in 2015–16.

ADMINISTERED FINANCES

The additional functions transferred from the AAOs and the administration of the Telecommunications Universal Service Obligation, were the primary drivers for the increase to total expenses of \$536.3 million and total income of \$5.6 million.

The increase to financial assets of \$14.0 billion was primarily driven by Commonwealth authorities and companies transferred into the Portfolio as part of the AAOs, and an increase in the Commonwealth's investment in NBN Co.

Administered non-financial assets increased by \$49.0 million primarily due to the transfer of the Administered National Institute of Dramatic Arts Building as a part of the AAOs.

Administered liabilities increased by \$341.8 million and again relates to additional functions transferred from the AAOs.

ASSETS MANAGEMENT

Our capital plan reflects the Government's priorities and business needs and complies with the financial management framework. We monitor asset acquisitions and disposals against this plan, and we carry out a risk based annual stocktake for non-artwork targeting key asset classes or events to update and verify the accuracy of our asset records and review their condition and utility. A separate stocktake of all artworks held on premises by Artbank is completed annually, and leased artwork held by customers is subject to regular spot checks throughout the year.

Table 3.2 Summary of departmental financial performance and position

	2014–15	2015–16	Change last year	
	\$m	\$m		
Employee and supplier expenses	91.6	101.2	10.5%	▲
Depreciation	5.9	5.2	(11.9%)	▼
Other Expenses	0.8	3.1	287.5%	▲
Total Expenses	98.3	109.5	11.4%	▲
Revenue from Government	91.4	99.9	9.3%	▲
Other Revenue	1.2	4.2	250.0%	▲
Gains	0.4	0.5	25.0%	▲
Total Income	93.0	104.6	12.5%	▲
Net cost of services	96.7	104.8	8.4%	▲
Operating Result (Loss)	(5.3)	(4.9)	(7.5%)	▼
Financial Assets	21.0	27.4	30.5%	▲
Non-financial assets	15.2	54.6	259.2%	▲
Liabilities	33.6	38.3	14.0%	▲
Net assets	2.6	43.7	1580.8%	▲

Table 3.3 Summary of administered financial performance and position

	2014–15	2015–16	Change last year	
	\$m	\$m		
Grants	111.8	168.7	50.9%	▲
Subsidies	-0.1	0.0	-100.0%	▼
Other expenses	29.3	366.5	1150.9%	▲
Payments to CAC Bodies	1,349.2	1,491.3	10.5%	▲
Total Expenses	1,490.2	2,026.5	36.0%	▲
Sales of goods and rendering of services	0.0	3.0	100.0%	▲
Interest	1.3	2.5	93.8%	▲
Dividends	0.0	0.0	0.0%	▼
Other revenue	2.0	4.4	120.0%	▲
Gains	1.0	0.0	-100.0%	▼
Total Income	4.3	9.9	130.1%	▲
Financial Assets	12,111.3	26,112.3	115.6%	▲
Non-financial Assets	179.3	228.3	27.3%	▲
Liabilities	25.4	367.2	1345.7%	▲
Net assets	12,265.2	25,973.4	111.8%	▲

PROCUREMENT

Our procurement policies, processes and practices are consistent with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Commonwealth Procurement Rules. Appropriate controls are in place to make sure procurement is carried out in accordance with all legislative requirements and the Commonwealth Procurement Rules.

We publish procurement activities and annual procurement plans on AusTender. Information on expected procurement activities in 2016–17 is included in our latest annual procurement plan and is also available on AusTender.

CONSULTANTS

We engage consultants to provide specialised professional services when we do not have the capability or capacity to perform these in-house, or where we need independent research, review, assessment or advice. Consultants are typically engaged to investigate or diagnose a specific issue or problem, carry out reviews or evaluations, as well as provide independent advice, information or solutions to help us make decisions.

Before engaging consultants, we take into account the skills and resources needed for the task, the skills available internally and the cost-effectiveness of engaging external expertise. Our policy for selecting and engaging consultants in 2015–16 was in accordance with the PGPA Act and the Commonwealth Procurement Rules: it is based on the core principle of achieving value for money.

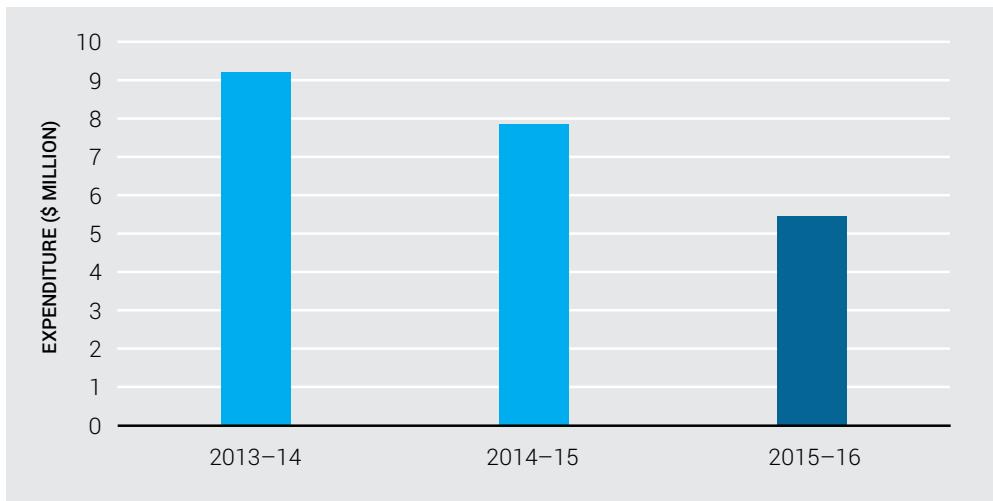
The main categories in which consultants were engaged are for the provision of:

- > specialist legal services
- > auditing and accounting services
- > economic services
- > recruitment services
- > consulting services, including in relation to engineering, broadcasting and telecommunications.

During 2015–16, 41 new consultancy contracts were entered into involving total actual expenditure during 2015–16 of \$0.760 million. In addition, 21 ongoing consultancy contracts were active during the 2015–16 year, involving total actual expenditure during 2015–16 of \$4.692 million. Therefore, total consultancy expenditure during 2015–16 is \$5.452 million.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website, www.tenders.gov.au.

Figure 3.1 Expenditure on consultancy contracts from 2013–14 to 2015–16



PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

We support small business participation in the Australian Government procurement market. Small and medium-sized enterprises and small enterprise participation statistics are available on the Department of Finance's website at www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

We have met government policy requirements in terms of supporting Small and Medium Enterprises (SMEs) in the following ways:

- > Our approach-to-market documents are clear and straightforward to help potential suppliers to produce a response that does not require extensive time and effort.

- > Our financial management information system facilitates the payment of invoices on time and provides reports highlighting if invoices have not been paid within a certain period of time to allow remedy.
- > We are phasing in the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 (GST inclusive).
- > Where procurements are considered low risk and their value is below the procurement threshold of \$80,000 (GST inclusive), a streamlined process is encouraged and the supplier is engaged using a purchase order in lieu of a more formal arrangement.
- > For procurements valued under \$10,000 (GST inclusive), we encourage the use of payment by credit card.

We recognise the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.

AUDITOR-GENERAL'S ACCESS TO CONTRACTOR PREMISES

During 2015–16, each competitively tendered contract of \$100,000 or more (inclusive of GST) included a provision that allowed the Auditor-General access to the premises of the contractor.

EXEMPT CONTRACTS

During 2015–16, no contracts or standing offers were exempted by the Secretary from being published on AusTender on the basis they would disclose matters exempt under the *Freedom of Information Act 1982*.

GRANTS

We managed our grants programs in accordance with the Australian Government's legislative framework, including the Commonwealth Grant Rules and Guidelines.

Information on grants awarded by the Department during 2015–16 is available on our website at www.communications.gov.au/who-we-are/department/funding-reporting.



SECTION 4

FINANCIAL STATEMENTS

This section contains the audited financial statements of the department for the year ended 30 June 2016.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications

I have audited the accompanying annual financial statements of the Department of Communications and the Arts for the year ended 30 June 2016, which comprise:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the Financial Statements.

Opinion

In my opinion, the financial statements of the Department of Communications and the Arts:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Communications and the Arts as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Secretary of the Department of Communications and the Arts is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

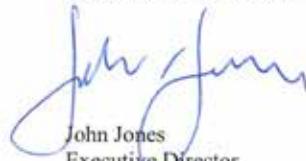
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office



John Jones
Executive Director
Delegate of the Auditor-General
Canberra

20 September 2016



Australian Government

Department of Communications and the Arts

2015-16 FINANCIAL STATEMENTS

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department will be able to pay its debts as and when they fall due.

Dr Heather Smith, PSM
Secretary
19 September 2016

Kurt Munro
Chief Financial Officer
19 September 2016

Department of Communications and the Arts
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Department of Communications and the Arts
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	66,037	50,825
Suppliers	1.1B	35,201	40,784
Grants	1.1C	2,313	-
Depreciation and amortisation	3.2A	5,166	5,906
Finance costs	1.1D	33	65
Write-down and impairment of assets	1.1E	800	730
Other expenses	1.1F	-	11
Total expenses		109,550	98,321
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	1.2A	3,302	795
Rental income	1.2B	226	215
Other revenue	1.2C	696	203
Total own-source revenue		4,224	1,213
Gains			
Net gain from sale of assets	1.2D	9	4
Other gains	1.2E	508	391
Total gains		517	395
Total own-source income		4,741	1,608
Net cost of services		(104,809)	(96,713)
Revenue from Government	1.2F	99,915	91,377
Deficit before income tax on continuing operations		(4,894)	(5,336)
Deficit after income tax on continuing operations		(4,894)	(5,336)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		(750)	(1,645)
Total other comprehensive income before income tax		(750)	(1,645)
Total other comprehensive income after income tax		(750)	(1,645)
Total comprehensive loss		(5,644)	(6,981)

The above statement should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	1,685	655
Trade and other receivables	3.1B	25,738	19,954
Other financial assets	3.1C	-	366
Total financial assets		27,423	20,975
Non-financial assets			
Buildings	3.2A	5,197	3,245
Property, plant and equipment	3.2A	39,205	2,452
Intangibles	3.2A	9,177	8,550
Other non-financial assets	3.2B	1,024	908
Total non-financial assets		54,603	15,155
Total assets		82,026	36,130
LIABILITIES			
Payables			
Suppliers	3.3A	5,990	9,621
Other payables	3.3B	4,620	3,135
Total payables		10,610	12,756
Provisions			
Employee provisions	6.1	22,872	16,666
Other provisions	3.4	4,843	4,177
Total provisions		27,715	20,843
Total liabilities		38,325	33,599
Net assets		43,701	2,531
EQUITY			
Contributed equity/capital		62,694	15,880
Reserves		7,439	8,189
Accumulated deficit		(26,432)	(21,538)
Total equity		43,701	2,531

The above statement should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

		Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity
	Notes	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2015 \$'000
Opening balance								
Balance carried forward from previous period		(21,538)	(5,204)	8,189	9,834	15,880	5,385	2,531
Adjustment to opening balance ¹		-	(267)	-	-	-	-	(267)
Adjusted opening balance		(21,538)	(5,471)	8,189	9,834	15,880	5,385	2,531
 Comprehensive income								9,748
Surplus (Deficit) for the year		(4,894)	(5,336)	-	-	-	-	(4,894)
Other comprehensive income		-	-	(750)	(1,645)	-	-	(750)
Total comprehensive income		(4,894)	(5,336)	(750)	(1,645)	-	-	(5,644)
 Transactions with owners								
Distributions to owners								
Returns of appropriation								
Reductions of appropriations <i>Omnibus Repeal Day (Autumn 2014) Act 2014²</i>		-	(10,731)	-	-	-	-	(10,731)
Contributions by owners								
Equity injection - Appropriation		-	-	-	-	4,226	6,400	6,400
Departmental capital budget		-	-	-	-	42,588	4,095	4,226
Restructuring	8.1	-	-	-	-	42,588	-	42,588
Total transactions with owners		-	(10,731)	-	-	46,814	10,495	46,814
Transfers between equity components		-	-	-	-	-	-	(236)
Closing balance as at 30 June		(26,432)	(21,538)	7,439	8,189	62,694	15,880	43,701

¹ Reinstating the quarantined amount adjusted against previous year's appropriation balance.

² The purpose of the *Omnibus Repeal Day (Autumn 2014) Act 2014* is to repeal and amend a number of bills to remove duplication and red tape.

The above statement should be read in conjunction with the accompanying notes.

Accounting Policy***Equity Injections***

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets assumed from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Department of Communications and the Arts
CASH FLOW STATEMENT
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government		102,585	97,529
Sales of goods and rendering of services		5,840	423
Net GST received		3,575	3,681
Other		767	224
Total cash received		112,767	101,857
Cash used			
Employees		70,140	59,403
Suppliers		42,484	37,388
Grants		2,544	-
Section 74 receipts transferred to the Official Public Account		5,476	4,987
Other		-	12
Total cash used		120,644	101,790
Net cash from/(used by) operating activities	5.4	(7,877)	67
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		21	12
Total cash received		21	12
Cash used			
Purchase of buildings		551	94
Purchase of property, plant and equipment		1,869	154
Purchase of intangibles		1,221	3,764
Total cash used		3,641	4,012
Net cash used by investing activities		(3,620)	(4,000)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		6,000	400
Departmental capital budget		3,236	3,612
Closure of special account		2,291	-
Cash from restructuring		1,000	-
Total cash received		12,527	4,012
Net cash from financing activities		12,527	4,012
Net increase in cash held		1,030	79
Cash and cash equivalents at the beginning of the reporting period		655	576
Cash and cash equivalents at the end of the reporting period	3.1A	1,685	655

The above statement should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
NET COST OF SERVICES			
Expenses			
Suppliers	2.1A	348,728	11,627
Subsidies	2.1B	-	(133)
Grants	2.1C	168,733	111,849
Depreciation and amortisation	4.2A	9,170	7,991
Finance costs	2.1D	1,285	3,269
Payments to corporate Commonwealth entities	2.1E	1,491,320	1,349,152
Other expenses	2.1F	7,264	6,364
Total expenses		2,026,500	1,490,119
Income			
Revenue			
Non-taxation revenue			
Sales of goods and rendering of services	2.2A	2,974	-
Interest	2.2B	2,519	1,312
Rental income	2.2C	1,529	1,529
Other revenue	2.2D	2,913	429
Total non-taxation revenue		9,935	3,270
Total revenue		9,935	3,270
Gains			
Reversal of write-downs and impairment	2.2E	37	-
Other gains	2.2F	-	989
Total gains		37	989
Total income		9,972	4,259
Net cost of services		(2,016,528)	(1,485,860)
Deficit		(2,016,528)	(1,485,860)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		1,544	1,061
Items subject to subsequent reclassification to net cost of services			
Losses on available for sale financial assets		(1,950,149)	(1,730,279)
Total other comprehensive loss		(1,948,605)	(1,729,218)
Total comprehensive loss		(3,965,133)	(3,215,078)

This schedule should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Financial assets			
Trade and other receivables	4.1A	120,274	68,269
Other investments	4.1B	25,991,971	12,043,005
Other financial assets	4.1C	19	12
Total financial assets		26,112,264	12,111,286
Non-financial assets			
Buildings	4.2A	58,207	-
Property, plant and equipment	4.2A	165,655	172,144
Other non-financial assets	4.2B	4,435	7,154
Total non-financial assets		228,297	179,298
Total assets administered on behalf of Government		26,340,561	12,290,584
LIABILITIES			
Payables			
Suppliers	4.3A	330,493	304
Grants	4.3B	15,551	4,051
Other payables	4.3C	21,187	21,087
Total payables		367,231	25,442
Total liabilities administered on behalf of Government		367,231	25,442
Net assets		25,973,330	12,265,142

The above schedule should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2016

	2016 \$'000	2015 \$'000
Opening assets less liabilities as at 1 July	12,265,142	8,885,931
Adjustment for errors	-	317,000
Adjusted opening assets less liabilities	12,265,142	9,202,931
 Net (cost of)/contribution by services		
Income	9,972	4,259
Expenses		
Payments to entities other than corporate Commonwealth entities	(535,180)	(140,967)
Payments to corporate Commonwealth entities	(1,491,320)	(1,349,152)
 Other comprehensive income		
Revaluations transferred from reserves	(1,950,149)	(1,730,279)
Asset Revaluation Reserve	1,544	1,061
 Restructuring		
Telecommunications Universal Service Management Agency	(294,134)	-
Attorney-General's Department	8,860,168	-
 Transfers to/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Asset and liabilities appropriations for payments to corporate Commonwealth entities	7,096,046	4,767,000
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	197,427	148,350
Payments to corporate Commonwealth entities	1,491,320	1,349,152
Loans to corporate Commonwealth entities	20,000	50,000
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	96	-
Appropriation transfers to OPA		
Transfers to OPA	(12,957)	(37,245)
 Special Accounts		
Australia New Zealand Land Information	8	32
Public Interest Telecommunications Services	315,328	-
National Cultural Heritage	19	-
Closing assets less liabilities as at 30 June	25,973,330	12,265,142

This schedule should be read in conjunction with the accompanying notes.

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the entity for use by the Government rather than the entity is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Department of Communications and the Arts
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		3 102	-
Interest		1,501	815
Net GST received		41,944	16,274
Other		2,773	1,773
Total cash received		49,320	18,862
Cash used			
Grants		160,644	144,484
Subsidies		-	33
Suppliers		381,995	11,537
Payments to corporate Commonwealth entities		1,491,320	1,349,152
Other		7,678	6,451
Total cash used		2,041,637	1,511,657
Net cash used by operating activities	5.5	(1,992,317)	(1,492,795)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans from corporate Commonwealth entities		-	20,000
Proceeds from return of equity by corporate Commonwealth entities		-	14,625
Total cash received		-	34,625
Cash used			
Loans to Corporate Commonwealth entities		20,000	50,000
Corporate Commonwealth entity investments		7,096,046	4,767,000
Total cash used		7,116,046	4,817,000
Net cash used by investing activities		(7,116,046)	(4,782,375)
Cash from Official Public Account			
Appropriations		197,427	148,350
Corporate Commonwealth entities appropriations		8,587,366	6,116,152
Loans to Corporate Commonwealth entities		20,000	50,000
Special Accounts		315,355	32
Special Appropriations		96	-
GST drawdowns from Finance		43,043	14,155
Total cash from official public account		9,163,287	6,328,689
Cash to Official Public Account			
Appropriations		6,488	32
GST repayments to Finance		41,967	16,274
Other - receipts		6,469	37,213
Total cash to official public account		54,924	53,519
Cash and cash equivalents at the end of the reporting period			
This schedule should be read in conjunction with the accompanying notes.		-	-

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

OVERVIEW

Objectives of the Entity

The Department of Communications and the Arts (the Department) is a Government controlled entity. It is a not-for-profit entity. The objective of the Department is to promote an innovative cultural and communications sectors through policy, program and service delivery to the benefit of all Australians.

The Department is structured to meet the following outcomes:

Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services

Outcome 2: Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression

From 1 July 2015, the Department commenced administration of the telecommunications universal service obligation from the former Telecommunications Universal Service Management Agency, as announced in the 2014-15 Budget and now operates under the Public Interest Telecommunications Services Special Account.

As a result of the 21 September 2015 Administrative Arrangements Order (AAO) changes, the Department assumed responsibility for: cultural affairs, classification, and copyright functions and associated legislation from the Attorney-General's Department, while the Department's responsibility for enhancing digital productivity and the data policy functions were transferred to the Department of Industry, Innovation and Science, and to the Department of the Prime Minister and Cabinet.

The continued existence of the Department in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the Department's administration and programs.

Department activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department, on behalf of the Government, of items controlled or incurred by the Government.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In relation to Administered Investments in Australia Post, management estimates are used to determine volume and price growth rates and the weighted average cost of capital that underpin the discounted cash flow valuation at the end of the reporting period. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. No new standards, revised standards, interpretations or amending standards that were issued prior to the signing of the Statement by the Accountable Authority and Chief Financial Officer and were applicable to the current reporting period did not have a material financial impact or are not expected to have a material future financial impact on the Department.

Future Australian Accounting Standard Requirements

No new standards, revised standards, interpretations and amending standards that were issued prior to the signing of the Statement by the Accountable Authority and the Chief Financial Officer and are applicable to future reporting periods are not expected to have a future material financial impact on the Department.

Taxation

The Department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

Departmental

There are no events that occurred after the reporting period that would materially affect the departmental financial statements.

Administered

There are no events that occurred after the reporting period that would materially affect the administered financial statements.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

1. Departmental Financial Performance

This section analyses the financial performance of the Department of Communications and the Arts for the year ended 2016.

	2016 \$'000	2015 \$'000
1.1: Expenses		
1.1A: Employee Benefits		
Wages and salaries	47,847	38,725
Superannuation		
Defined contribution plans	4,136	3,304
Defined benefit plans	5,096	4,122
Leave and other entitlements	6,877	4,088
Separation and redundancies	1,059	(570)
Performance pay	6	358
Other employee expenses	1,016	798
Total employee benefits	66,037	50,825

Accounting Policy

Accounting policies for employee related expenses is contained in the People and relationships section.

1.1B: Suppliers

Goods and services supplied or rendered

Consultants and contractors	12,081	14,956
IT services	7,903	10,936
Office requisites	1,274	1,004
Property	1,647	1,534
Training and travel	2,858	2,287
Other goods and services	2,894	3,210
Total goods and services supplied or rendered	28,657	33,927
Goods supplied	3,806	3,134
Services rendered	24,851	30,793
Total goods and services supplied or rendered	28,657	33,927

Other suppliers

Workers compensation expenses	276	1,312
Operating lease rentals in connection with		
Minimum lease payments	6,268	5,545
Total other suppliers	6,544	6,857
Total suppliers	35,201	40,784

Leasing commitments

The Department in its capacity as lessee for 38 Sydney Avenue, Canberra is subject to a 3.5% fixed annual adjustment. The current term for the office accommodation expires on 21 November 2017.

The Department in its capacity as lessee for Lease payments at Level 46, 360 Elizabeth Street, Melbourne is subject to a 4% fixed annual adjustment. The lease terms expires on 3 April 2019.

The Department in its capacity as lessee for Lease payments at 23-33 Mary Street Level 5 & 6, Sydney is subject to a 3% fixed annual adjustment. The lease terms expires on 14 May 2019.

The Department in its capacity as lessee for 31 Market Street level 18, Sydney is subject to a 3.75% fixed annual adjustment. The current term for office accommodation expires on 30 June 2017.

The Department in its capacity as lessee for 222 Young Street, Sydney is subject to a 3.00% fixed annual adjustment. The current term for accommodation expires on 31 December 2023.

The Department in its capacity as lessee for 845 High St, Melbourne is subject to a 3.50% fixed annual adjustment. The current term for accommodation expires on 30 June 2017.

The Department in its capacity as lessee for storage space at 122-124 Gladstone Street, Fyshwick is subject to a 3% fixed annual adjustment. The current term for storage accommodation expires on 30 April 2017.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	5,950	4,687
Between 1 to 5 years	4,828	6,275
More than 5 years	717	-
Total operating lease commitments	11,495	10,962

Accounting Policy

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.1C: Grants

Australian Government entities (related parties)	2,313	-
Total grants	2,313	-

1.1D: Finance Costs

Unwinding of discount	33	65
Total finance costs	33	65

1.1E: Write-Down and Impairment of Assets

Impairment of land and buildings	9	-
Impairment of property, plant and equipment	-	52
Impairment of intangibles	791	678
Total write-down and impairment of assets	800	730

1.1F: Other Expenses

Other	-	11
Total other expenses	-	11

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
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1.2: Own-Source Revenue and Gains

Own-Source Revenue

1.2A: Sale of Goods and Rendering of Services

Sale of goods	1	-
Rendering of services	3,301	795
Total sale of goods and rendering of services	3,302	795

Accounting Policy

Revenue from the sale of goods and rendering of services is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the entity retains no managerial involvement or effective control over the goods;

The stage of completion of contracts at the reporting date is determined by reference to:

- a) surveys of work performed;
- b) services performed to date as a percentage of total services to be performed; or
- c) the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.2B: Rental Income

Rental reimbursements	226	215
Total rental income	226	215

1.2C: Other Revenue

Refunds from previous year payments	260	203
Other	436	-
Total other revenue	696	203

Gains

1.2D: Sale of Assets

Property, plant and equipment:		
Proceeds from sale	21	12
Carrying value of assets sold	(12)	(8)
Net gain from sale of assets	9	4

Accounting Policy

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

1.2E: Other Gains

Resources received free of charge	390	390
Reversal of provisions	116	-
Other	2	1
Total other gains	508	391

Accounting Policy

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 8.1).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
1.2F: Revenue from Government		
Appropriations		
Departmental appropriations	99,915	91,377
Total revenue from Government	99,915	91,377

Accounting Policy

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the entity gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Department of Communications and the Arts**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2016

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Department of Communications and the Arts does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental

	2016 \$'000	2015 \$'000
2.1: Administered - Expenses		
2.1A: Suppliers		
Goods and services supplied or rendered		
Advertising and marketing	209	6,496
Consultants and contractors	322,985	1,788
Royalty payments	21,867	-
Office requisites	138	-
Property	3,095	3,314
Other goods and services	434	29
Total goods and services supplied or rendered	348,728	11,627
Goods supplied	65	10
Services rendered	348,663	11,617
Total goods and services supplied or rendered	348,728	11,627
2.1B: Subsidies		
Subsidies in connection with		
Regional Telecommunications Review Response	-	1
Digital Switchover Television	-	(134)
Total subsidies	-	(133)
2.1C: Grants		
Public sector		
Australian Government entities (related entities)	35,396	1,855
State and Territory Governments	1,118	356
Local Governments	1,740	5,195
Private sector		
Not-for-profit organisations	79,801	46,464
Commercial entities	50,678	57,979
Total grants	168,733	111,849
Accounting Policy		
The entity administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. When the Government enters into an agreement to make these grants and services but services have not been performed or criteria satisfied, this is considered a commitment.		
2.1D: Finance Costs		
Concessional loan discount	1,285	3,269
Total finance costs	1,285	3,269

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
<u>2.1E: Payments to Corporate Commonwealth Entities</u>		
Australian Broadcasting Corporation	1,064,413	1,063,215
Special Broadcasting Service Corporation	287,370	285,937
Australia Council	49,526	-
Australian Film, Television and Radio School	13,673	-
Australian National Maritime Museum	6,997	-
National Film and Sound Archive of Australia	13,508	-
National Museum of Australia	17,679	-
National Library of Australia	27,815	-
National Portrait Gallery of Australia	5,332	-
Screen Australia	5,007	-
Total payments to corporate Commonwealth entities	1,491,320	1,349,152
<u>Accounting Policy</u>		
Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses or equity injections of the relevant portfolio department. The appropriation to the department is disclosed under the Funding section - Appropriations.		
<u>2.1F: Other Expenses</u>		
International membership fees	6,667	6,355
Prizes & awards	590	-
Other expenses	7	9
Total other expenses	7,264	6,364

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
2.2: Administered - Income		
Revenue		
Non-Taxation Revenue		
2.2A: Sales of Goods and Rendering of Services		
Rendering of services	2,974	-
Total sale of goods and rendering of services	2,974	-
Accounting Policy		
All administered revenues are revenues relating to ordinary activities performed by the entity on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.		
2.2B: Interest		
Loans	2,519	1,272
Other	-	40
Total interest	2,519	1,312
2.2C: Rental Income		
Indefeasible Rights of Use	1,529	1,529
Total rental income	1,529	1,529
Accounting Policy		
Rental Income is recognised over the term of the Indefeasible Rights of Use granted by the Commonwealth to external parties for use of the Administered Property, Plant and Equipment.		
2.2D: Other Revenue		
Grant refunds	393	423
Subsidy refunds	-	1
Contributions	1,595	-
Other revenue	925	5
Total other revenue	2,913	429
Gains		
2.2E: Reversal of write-downs and Impairment		
Reversal of impairment losses	37	-
Total reversals of previous asset write-downs and impairments	37	-
2.2F: Other Gains		
Gain on sales of the assets	-	990
Other	-	(1)
Total other gains	-	989

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

3. Departmental Financial Position

This section analyses the Department of Communications and the Arts assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

	2016 \$'000	2015 \$'000
3.1: Financial Assets		
3.1A: Cash and Cash Equivalents		
Cash in special accounts	900	-
Cash on hand or on deposit	785	655
Total cash and cash equivalents	1,685	655

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand;
- b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value; and
- c) cash in special accounts.

3.1B: Trade and Other Receivables

Goods and services receivables

Good and services	1,270	395
Total goods and services receivables	1,270	395

Appropriations receivables

For existing programs	23,230	18,430
Special accounts	374	-
Total appropriations receivable	23,604	18,430

Other receivables

GST receivable from the Australian Taxation Office	711	1,026
Other	162	103
Total other receivables	873	1,129
Total trade and other receivables (gross)	25,747	19,954

Less impairment allowance

Other receivables	(9)	-
Total impairment allowance account	(9)	-
Total trade and other receivables (net)	25,738	19,954

All receivables are expected to be recovered in no more than 12 months.

Trade and other receivables (gross) are aged as follows

Not overdue	25,629	19,843
Overdue by		
0 to 30 days	85	104
31 to 60 days	4	-
61 to 90 days	9	-
More than 90 days	20	7
Total trade and other receivables (gross)	25,747	19,954

Impairment allowance aged as follows

Overdue by	(9)	-
More than 90 days	(9)	-
Total impairment allowance	(9)	-

Credit terms for goods and services were within 30 days (2015: 30 days).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Accounting Policy

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Reconciliation of the Impairment Allowance

Movements in relation to 2016	Other receivables \$'000	Total \$'000
As at 1 July 2015	-	-
Amounts written off	-	-
Amount transferred from restructuring	9	9
Increase/(decrease) recognised in net cost of services	-	-
Total as at 30 June 2016	9	9

There were no movements in the impairment allowance account in 2015.

Accounting Policy

Financial assets are assessed for impairment at the end of each reporting period.

3.1C: Other Financial Assets	2016 \$'000	2015 \$'000
Accrued revenue - goods and services	-	366
Total other financial assets	-	366

Other financial assets are expected to be recovered in no more than 12 months.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2016

3.2: Non-Financial Assets

3.2A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant, Equipment and Intangibles for 2016

	Buildings \$'000	Heritage and cultural \$'000	Other property, plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2015						
Gross book value	3,245	-	2,452	18,049	1,313	25,059
Accumulated depreciation, amortisation and impairment	-	-	-	(9,555)	(1,227)	(10,812)
Total as at 1 July 2015	3,245	-	2,452	8,464	86	14,247
Additions						
By purchase	551	401	1,468	-	73	2,493
Internally developed	-	-	-	1,148	-	1,148
Acquisitions of entities or operations (including restructuring)	2,850	35,727	1,584	1,362	108	41,634
Revaluations and impairments recognised in other comprehensive income	38	-	-	-	-	38
Impairments recognised in net cost of services	(9)	-	-	(732)	(59)	(800)
Reclassifications	-	-	(929)	929	-	-
Depreciation and amortisation	(1,477)	(95)	(1,392)	(2,124)	(78)	(5,166)
Disposals	-	-	-	-	-	-
Other	(1)	-	(11)	-	(12)	-
Total as at 30 June 2016	5,197	36,033	3,172	9,047	130	53,579
Total as at 30 June 2016 represented by						
Gross book value	6,496	36,128	4,548	17,240	898	65,310
Accumulated depreciation, amortisation and impairment	(1,299)	(95)	(1,376)	(8,193)	(768)	(11,731)
Total as at 30 June 2016	5,197	36,033	3,172	9,047	130	53,579

As the Department does not own any buildings as such, the building category consists of leasehold improvements.

All revaluations are conducted in accordance with the revaluation policy stated at Note 7.4. An independent valuer conducted the revaluations as at 30 June 2016.

Revaluation increments of \$38,000 for leasehold improvements (2015: \$786 000) and nil for property, plant and equipment (2015: \$651,000) were credited to the asset revaluation reserve and included in the equity section of the Statement of Financial Position; no increments/decrements were expensed (2015: nil).

As at 30 June 2016 several items of property, plant and equipment and intangible assets were found to be impaired and subsequently written down. The net book value of these assets were \$9,000 for property, plant and equipment and \$791,000 for intangible assets.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

3.2A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant, Equipment and Intangibles for 2015

	Buildings \$'000	Heritage and cultural \$'000	Other property, plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2014						
Gross book value	8,271	-	6,982	17,280	2,399	34,932
Accumulated depreciation, amortisation and impairment	(2,698)	-	(2,658)	(9,059)	(2,203)	(16,618)
Total as at 1 July 2014	5,573	-	4,324	8,221	196	18,314
Additions						
By purchase	154	-	94	-	6	254
Internally developed	-	-	-	3,758	-	3,758
Revaluations and impairments recognised in other comprehensive income	(786)	-	(651)	-	-	(1,437)
Impairments recognised in net cost of services	-	-	(52)	(678)	-	(730)
Assets held for sale or in a disposal group held for sale	-	-	(6)	-	-	(6)
Depreciation and amortisation	(1,696)	-	(1,257)	(2,837)	(116)	(5,906)
Total as at 30 June 2015	3,245	-	2,452	8,464	86	14,247
Total as at 30 June 2015 represented by						
Gross book value	3,245	-	2,452	18,049	1,313	25,059
Accumulated depreciation, amortisation and impairment	-	-	-	(9,585)	(1,227)	(10,812)
Total as at 30 June 2015	3,245	-	2,452	8,464	86	14,247

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a related group that is significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make-good' provisions in property leases taken up by the Department where an obligation exists to restore the property to its original condition. These costs are included in the value of the Department's leasehold improvements with a corresponding provision for the 'make-good' recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair Value measured at:
Land and buildings	Depreciated replacement cost
Property, plant and equipment	Market selling price or depreciated replacement cost
Heritage and cultural assets	Active market

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income, except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Assets purchased during the financial year are excluded from asset revaluation as they represent fair value.

Depreciation

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2016	2015
Land and Buildings		
• Leasehold improvements	Lower of 10 years or lease term	Lower of 10 years or lease term
Property, Plant and Equipment		
• Artworks	Up to 480 years	n/a
• Computer equipment	3 to 5 years	3 to 5 years
• Plant, office equipment, furniture & fittings	5 to 10 years	5 to 10 years

Department of Communications and the Arts
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Heritage and Cultural

Heritage and cultural items include artworks held by Artbank that are of national, historical or cultural significance. Artbank maintains separate curatorial and preservation policies for heritage and cultural assets, (<http://www.artbank.gov.au/preservation.html>).

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The Department's intangibles comprise software externally purchased and internally developed software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life.

The useful lives of the Department's software are:

	2016	2015
• Externally purchased software	3 to 5 years	3 to 5 years
• Internally developed software	3 to 5 years	3 to 5 years

All software assets were assessed for indications of impairment as at 30 June 2016.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
<u>3.2B: Other Non-Financial Assets</u>		
Prepayments	1,024	908
Total other non-financial assets	1,024	908

Other non-financial assets are expected to be recovered in no more than 12 months.
No indicators of impairment were found for other non-financial assets.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
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3.3: Payables

3.3A: Suppliers

Trade creditors and accruals	4,255	8,338
Operating lease rentals	1,735	1,283
Total suppliers	5,990	9,621

Suppliers expected to be settled

No more than 12 months	4,521	8,512
More than 12 months	1,469	1,109
Total suppliers	5,990	9,621

Settlement was usually made within 30 days.

3.3B: Other Payables

Salaries and Wages	221	1,448
Superannuation	39	253
Separations and redundancies	-	526
Employee transfers	1,142	374
Lease incentive	840	469
Prepayments received/earned income	2,281	-
Other	97	65
Total other payables	4,620	3,135

Other payables are expected to be settled

No more than 12 months	3,924	2,734
More than 12 months	696	401
Total other payables	4,620	3,135

Accounting Policy

Parental Leave Payments Scheme

Amounts received under the Parental Leave Payments Scheme by the Department not yet paid to employees are presented gross as cash and a liability (payable). The total amount received under this scheme was \$191,763 (2015: \$160,856).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3.4: Other Provisions

	Provision for make-good¹ \$'000	Other provisions² \$'000	Total \$'000
As at 1 July 2015	1,891	2,286	4,177
Additional provisions made	788	-	788
Amounts used	(215)	-	(215)
Amounts reversed	(116)	-	(116)
Acquisitions of entities or operations (including restructure)	176	-	176
Unwinding of discount or change in discount rate	33	-	33
Total as at 30 June 2016	2,557	2,286	4,843
		2016 \$'000	2015 \$'000
Other provisions are expected to be settled			
No more than 12 months		2,445	2,557
More than 12 months		2,398	1,620
Total other provisions		4,843	4,177

¹ The Department currently has four (2015: four) agreements for the leasing of premises that have provisions requiring the Department to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of this obligation.

² Following the termination of its agreement with OPEL Network Pty Ltd (OPEL) under the Broadband Connect program in 2008-09, the Department has made provision towards costs incurred by OPEL in producing its implementation plan.

Department of Communications and the Arts
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for the year ended 30 June 2016

4. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to conduct operations and the operating liabilities incurred as a result the Department of Communications and the Arts does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

	2016 \$'000	2015 \$'000
4.1: Administered - Financial Assets		
4.1A: Trade and Other Receivables		
Advances and loans		
Loans to corporate Commonwealth entities ¹	87,201	67,468
Total advances and loans	87,201	67,468
Other receivables		
GST receivable from the Australian Taxation Office	32,933	801
Other	147	-
Total other receivables	33,080	801
Total trade and other receivables (gross)	120,281	68,269
Less impairment allowance		
Other receivables	(7)	-
Total impairment allowance	(7)	-
Total trade and other receivables (net)	120,274	68,269
Trade and other receivables (net) expected to be		
No more than 12 months	53,336	1,143
More than 12 months	66,938	67,126
Total trade and other receivables (net)	120,274	68,269
Trade and other receivables (gross) aged as follows		
Not overdue	120,139	68,269
Overdue by:		
61 to 90 days	48	-
More than 90 days	94	-
Total trade and other receivables (gross)	120,281	68,269
Impairment allowance aged as follows		
Not overdue	-	-
Overdue by:		
More than 90 days	(7)	-
Total impairment allowance	(7)	-

¹ Loans to corporate Commonwealth entities were made under financial assistance legislation for periods up to 12 years. No security is required. Interest rates are fixed. Principal and interest are repaid annually in arrears. Effective interest rates average 2.10% (2015: 2.54%).

Department of Communications and the Arts
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Reconciliation of the Impairment Allowance

Movements in relation to 2016	Other receivables \$'000	Total \$'000
As at 1 July 2015	-	-
Amounts written off	29	29
Amount transferred from restructuring	(73)	(73)
Amounts recovered and reversed	37	37
Total as at 30 June 2016	(7)	(7)

There were no movements in the impairment allowance account in 2015

Accounting Policy

Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

	2016 \$'000	2015 \$'000
4.1B: Other Investments		
Commonwealth authorities:		
Australian Broadcasting Corporation ¹	1,053,200	1,021,100
Australian Postal Corporation ²	2,480,000	2,321,600
Special Broadcasting Service Corporation ¹	199,375	199,305
Australia Council ¹	23,317	-
Australian Film, Television and Radio School ¹	10,895	-
Australian National Maritime Museum ¹	255,293	-
National Film and Sound Archive of Australia ¹	297,086	-
National Gallery of Australia ¹	6,254,000	-
National Library of Australia ¹	1,680,711	-
National Museum of Australia ¹	470,605	-
National Portrait Gallery of Australia ¹	128,113	-
Screen Australia ¹	17,679	-
	12,870,274	3,542,005
Commonwealth companies:		
NBN Co Limited ³	13,068,900	8,501,000
Bundanon Trust ¹	51,159	-
Creative Partnerships Australia ¹	1,638	-
	13,121,697	8,501,000
Total other investments	25,991,971	12,043,005

¹ Administered investment valuations are based on the audited or latest available net asset balance.

² Administered investment valuation in the Australian Postal Corporation for 2016 is based on the discounted cash flow (DCF) methodology. An independent review of the DCF methodology has been undertaken in June 2016.

³ Administered investment valuation in the NBN Co Limited is based on its net assets balance with the property, plant and equipment adjusted for fair value and the discounting of leave and superannuation liabilities adjusted by applying the Government bond rate. These adjustments were required to reflect the NBN Co Limited at fair value in the financial statements. The impact of these adjustments was an increase of \$1.046 billion at 30 June 2016 and an adjustment of \$793 million to the net assets at 30 June 2015 totalling \$8.501 billion. The 2015 amount reflects this adjustment. An independent review has been undertaken to ascertain the fair value of property, plant and equipment in June 2016.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Accounting Policy

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Government level.

In accordance with AASB 13 *Fair Value Measurement*, the following techniques are used to value Administered Investments:

- (a) Discounted Cash Flows – this method needs to be considered when an entity invests in another entity that generates significant non-government cash inflows and those cash flows can be reliably predicted; and
- (b) Net Assets – this method needs to be considered when an entity invests in another entity that does not generate significant non-government cash inflows or those cash flows cannot be reliably predicted.

Administered investments, other than those held for sale, are classified as 'available for sale' and are measured at their fair value as at 30 June 2016. Apart from the Australian Postal Corporation, fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at end of reporting period.

For 2015-16, fair value estimates for the Australian Postal Corporation are based on a discounted cash flow valuation calculated using cash flow forecasts extracted from the Australia Post Corporate Plan 2015-16 to 2019-20. The forecasts use management estimates to determine volume and price growth rates, and the weighted average cost of capital.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

The Australian Government owns 100% of the following entities and the principal activities of each of the Department's administered investments are:

Australian Broadcasting Corporation and controlled entities - National broadcaster contributing to and reflecting Australia's national identity, fostering creativity and the arts and encouraging cultural diversity. A body corporate established under the *Australian Broadcasting Corporation Act 1983*.

Australian Postal Corporation - Provides a high-quality mail delivery service to all Australians and a range of parcel and logistics services. A body corporate established under the *Australian Postal Corporation Act 1989*.

Special Broadcasting Service Corporation and controlled entity - National Broadcaster providing multicultural and multilingual services that inform, educate and entertain all Australians. A body corporate established under the *Special Broadcasting Services Act 1991*.

Australia Council - Responsible for the creation, presentation and appreciation of distinctive cultural works by providing assistance to Australian artists and making their works accessible to the public.

Australian Film, Television and Radio School - Responsible for the education and development of creative talent for the screen arts and broadcast industries.

Australian National Maritime Museum - Responsible for increasing knowledge, appreciation and enjoyment of Australia's maritime heritage by managing the National Maritime Collection and staging programs, exhibitions and events.

National Film and Sound Archive of Australia - Responsible for increasing understanding and appreciation of Australia's audiovisual history by developing, preserving, maintaining and promoting the national audiovisual collection and providing access to audiovisual material of historic and cultural significance.

National Gallery of Australia - Responsible for increasing understanding, knowledge, and enjoyment of the visual arts by providing access to, and information about, works of art locally, nationally and internationally.

National Library of Australia - Responsible for enhanced learning, knowledge creation, enjoyment and understanding of Australian life and society by providing access to a national collection of library material.

Department of Communications and the Arts
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National Museum of Australia - Its role is to research Australian history, develop and maintain a national collection of historical material, create exhibitions and programs which explore Australia's heritage and history and make it more accessible to Australians.

National Portrait Gallery of Australia - Its role is to develop, preserve, maintain, promote and provide access to a national collection consisting of portraits, other works of art and related material. It is also responsible for developing and engaging a national audience in relation to that collection through exhibitions, education, research, publications and public and online programs.

Screen Australia - Responsible for promoting a creative, innovative and commercially sustainable screen industry through the development, funding, promotion and facilitation of access to Australian screen products.

NBN Co Limited - To plan, roll out and operate the National Broadband Network, providing access to high speed broadband to all Australians' premises. A body corporate established under the Public Governance, Performance and Accountability Act 2013.

Bundanon Trust - Supports arts practice and an understanding of the arts through its residency, education, exhibition and performance programs.

Creative Partnerships Australia Limited - Drives private giving, social investment and philanthropy for the arts in Australia. It also encourages sponsorship and corporate support, and builds partnerships between artists, business, private donors and the community to support the arts.

	2016 \$'000	2015 \$'000
4.1C: Other Financial Assets		
Accrued revenue - Grant refunds	-	12
Assets forfeited under the Protection of Movable Cultural Heritage Act 1996 ¹	19	-
Total other financial assets	19	12
 Other financial assets expected to be recovered		
No more than 12 months	19	12
More than 12 months	-	-
Total other financial assets	19	12

¹ Items forfeited to the Commonwealth under subsection 14(1) of the *Protection of Movable Cultural Heritage Act 1996*.

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4.2: Administered - Non-Financial Assets

4.2A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant and Equipment for 2016

	Buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2015			
Gross book value	-	172,270	172,270
Accumulated depreciation, amortisation and impairment	-	(126)	(126)
4.1A: Trade and Other Receivables	-	172,144	172,144
Additions			
Acquisitions of entities or operations (including restructuring)	59,344	-	59,344
Revaluations recognised in other comprehensive income	-	1,544	1,544
Depreciation and amortisation	(1,137)	(8,033)	(9,170)
Total as at 30 June 2016	58,207	165,655	223,862
Total as at 30 June 2016 represented by			
Gross book value	59,344	167,663	227,007
Accumulated depreciation, amortisation and impairment	(1,137)	(2,008)	(3,145)
Total as at 30 June 2016	58,207	165,655	223,862

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Revaluation of non-financial assets

Revaluation increments of \$1,544,000 for property, plant and equipment (2015: \$1,061,0000) were credited to the asset revaluation reserve and included in the Statement of Other Comprehensive Income; no increments/decrements were expensed (2015: nil).

All revaluations were conducted in accordance with the revaluation policy stated at Note 3.2A. An independent valuer conducted the revaluations as at 30 June 2016.

A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant and Equipment for 2015

	Buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2014			
Gross book value	-	182,713	182,713
Accumulated depreciation, amortisation and impairment	-	(2,934)	(2,934)
Total as at 1 July 2014	-	179,779	179,779
Revaluations recognised in other comprehensive income	-	1,061	1,061
Depreciation and amortisation	-	(7,991)	(7,991)
Other ¹	-	(705)	(705)
Total as at 30 June 2015	-	172,144	172,144
Total as at 30 June 2015 represented by:			
Gross book value	-	172,270	172,270
Accumulated depreciation, amortisation and impairment	-	(126)	(126)
Total as at 30 June 2015	-	172,144	172,144

¹ Other in Property, Plant and Equipment relate to the indefeasible rights of use (IRUs), relating to network infrastructure assets, issued by the Commonwealth to the Department of Defence in October 2014.

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	2016 \$'000	2015 \$'000
4.2B: Other Non-Financial Assets		
Lease prepayments ¹	1,363	4,458
Other prepayments	3,072	2,696
Total other non-financial assets	4,435	7,154
Other non-financial assets are expected to be recovered		
No more than 12 months	4,435	5,792
More than 12 months	-	1,362
Total other non-financial assets	4,435	7,154

¹ Lease prepayments relate to the operation and maintenance obligation relating to infrastructure assets. The contractor is required to operate and maintain Commonwealth assets for a period of five years at no cost to the Commonwealth. The lease incentive is recognised as a lease prepayment and lease income received in advance.

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	2016 \$'000	2015 \$'000
4.3: Administered - Payables		
4.3A: Suppliers		
Trade creditors and accruals	330,493	304
Total suppliers	<u>330,493</u>	<u>304</u>
Suppliers payables expected to be settled		
No more than 12 months	330,493	304
More than 12 months	-	-
Total suppliers	<u>330,493</u>	<u>304</u>
Settlement is usually made within 30 days.		
4.3B: Grants		
Australian Government entities	23	275
State and Territory Governments	-	243
Local Governments	-	525
Non-profit organisations	643	199
Commercial entities	14,885	2,809
Total grants	<u>15,551</u>	<u>4,051</u>
Grants expected to be settled		
No more than 12 months	15,551	4,051
More than 12 months	-	-
Total grants	<u>15,551</u>	<u>4,051</u>
All grants payables are expected to be settled in no more than 12 months. Settlement is usually made according to the terms and conditions of each grant within 30 days of performance or eligibility.		
4.3C: Other Payables		
GST Payable to the Official Public Account	4,701	3,624
Lease income received in advance ¹	15,934	17,463
Classification income received in advance	533	-
Forfeited assets ²	19	-
Total other payables	<u>21,187</u>	<u>21,087</u>
Other payables expected to be settled		
No more than 12 months	7,837	6,208
More than 12 months	13,350	14,879
Total other payables	<u>21,187</u>	<u>21,087</u>

¹ Lease income received in advance relates to the indefeasible rights of use (IRUs) issued by the Commonwealth in relation to the network infrastructure assets. As part of the arrangement for the construction of assets and the issue of IRUs, the Commonwealth has provided a lease incentive to the contractor in the form of a reduction of lease payments that would otherwise be payable to the Commonwealth for the IRUs. The lease incentive is recognised as a lease prepayment and lease income received in advance.

² Items forfeited to the Commonwealth under subsection 14(1) of the Protection of Movable Cultural Heritage Act 1996.

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5. Funding

This section identifies the Department of Communications and the Arts funding structure.

5.1: Appropriations

5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2016

	<i>Appropriation Act</i>		<i>PGPA Act</i>		<i>Appropriation applied in 2016</i>	
	<i>Annual appropriation¹</i> \$'000	<i>Section 74 Receipts</i> \$'000	<i>Section 75 Transfers¹</i> \$'000	<i>Total appropriation</i> \$'000	<i>Total (current and prior years)</i> \$'000	<i>Variance²</i> \$'000
Departmental						
Ordinary annual services	86,966	5,476	12,949	105,391	102,585	2,806
Capital budget	3,237	-	989	4,226	3,236	990
Other services	-	-	-	-	6,000	(6,000)
Equity injections	-	-	-	-	111,821	(2,204)
Total departmental	90,203	5,476	13,938	109,617		
Administered						
Ordinary annual services	200,855	-	120,561	321,416	286,932	34,484
Administered items	1,351,783	-	143,893	1,495,676	1,491,320	4,356
Payments to corporate Commonwealth entities	-	-	-	-	-	-
Other services	7,365,908	-	-	7,365,908	7,090,000	275,908
Administered assets and liabilities	20,000	-	6,046	26,046	26,046	-
Payments to corporate Commonwealth entities	-	-	-	-	-	-
Total administered	8,938,546	-	270,500	9,209,046	8,894,298	314,748

¹ In 2015-16, the Administered amounts of \$17,000,000 (annual appropriation) and \$5,612,000 (from section 75 transfers) were permanently withheld under a section 51 determination of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) for Whole of Government savings as part of MYEFO.

² Departmental Ordinary annual services variance mainly relates to employee entitlements. Departmental Capital Injection was appropriated in 2014-15 however the majority of the appropriation was drawn and applied in the current year.

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Annual Appropriations for 2015		<i>PGPA Act</i>		Appropriation applied in 2016 (current and prior years)		Variance ² \$'000
	<i>Appropriation Act</i>	Annual appropriation ^{1,2}	Section 74 Receipts \$'000	Section 75 Transfers \$'000	Total appropriation \$'000	
Departmental						
Ordinary annual services	91,377	1,306	-	92,683	93,848	(1,165)
Capital budget	4,095	-	-	4,095	3,613	482
Other services						
Equity injections	6,400	-	-	6,400	400	6,000
Total departmental	101,872	1,306	-	103,178	97,861	5,317
Administered						
Ordinary annual services	147,591	-	-	147,591	148,318	(727)
Administered items						
Payments to corporate Commonwealth entities	1,350,698	-	-	1,350,698	1,349,152	1,546
Other services						
Administered assets and liabilities						
Payments to corporate Commonwealth entities	3,229,445	-	-	3,229,445	4,767,000	(1,537,555)
Total administered	4,777,734	-	-	50,000	50,000	-
					4,777,734	6,314,470
						(1,536,736)

¹ Annual appropriation represents the total annual appropriation allocated for the current financial year. Administered temporarily quarantined amounts of \$2,629,000 are included in the annual appropriation for 2014-15. Departmental had no temporarily quarantined amounts.

² In 2014-15 Administered amounts of \$14,354,000 (annual appropriation) and \$1,573,000 (payments to corporate Commonwealth entities) were permanently withheld under section 51 determinations of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) in relation to approved movements of funds, savings measures and funding to support the establishment of the Digital Transformation Office.

³ As at 30 June 2015, there are no material departmental variances. The administered assets and liabilities variance relates to funding for NBN Co that was not required in 2014-15.

Department of Communications and the Arts
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5.1B: Unspent Annual Appropriation ('Recoverable GST exclusive')

	2016 \$'000	2015 \$'000
Departmental		
Cash on hand or on deposit	785	655
Appropriation Act (No.1) 2015-2016	15,667	-
Appropriation Act (No.1) 2015-2016 (Capital Budget - DCB) - Non Operating	3,932	-
Appropriation Act (No.3) 2015-2016	1,202	-
Appropriation Act (No.1) 2014-2015	1,750	5,535
Appropriation Act (No.2) 2014-2015	-	219
Appropriation Act (No.3) 2014-2015	-	3,382
Appropriation Act (No.4) 2014-2015	-	5,781
Appropriation Act (No.5) 2014-2015	-	1,700
Appropriation Act (No.1) 2013-2014 ²	1,315	-
Appropriation Act (No.1) 2012-2013 ¹	211	211
Appropriation Act (No.3) 2012-2013 ¹	468	1,602
Total departmental	25,330	19,085
Administered		
Appropriation Act (No.1) 2015-2016 ⁴	37,396	-
Appropriation Act (No.3) 2015-2016	964	-
Appropriation Act (No.2) 2015-2016	898,908	-
Appropriation Act (No.1) 2014-2015 ^{3,4}	12,126	8,009
Appropriation Act (No.2) 2014-2015	-	623,000
Appropriation Act (No.1) 2013-2014 ³	642	649
Appropriation Act (No.1) 2012-2013 ³	7,981	7,985
Total Administered	958,017	639,643

¹ Departmental appropriations of \$210,931.21 (2012-13) and \$468,000 (2012-13) have been temporarily quarantined for an approved movement of funds request.

² Departmental appropriation of \$1,315,000 (2013-14) that formed part of the section 75 transfers has been permanently withheld under a section 51 determination of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) under the Finance Minister's Direction No. 5.

³ Administered appropriations of \$17,277.68 (2012-13), \$57,922.94 (2013-14) and \$2,615,000 (2014-15) have been temporarily quarantined.

⁴ Administered amounts of \$22,612,000 (2015-16) and \$6,354,918.53 (2014-15) have been permanently withheld under section 51 of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) under the Finance Minister's Directions No. 5 and No. 6.

Department of Communications and the Arts
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5.1C: Special Appropriations ('Recoverable GST exclusive')

Authority	Appropriation applied	
	2016 \$'000	2015 \$'000
<i>Telstra Corporation Act 1991, section 8BA(3).</i> Nature: Administered (Unlimited Amount)	-	-
<i>Public Governance, Performance and Accountability Act 2013, section 77.</i> Nature: Administered (Refund Provisions)	96	-
<i>Classification (Publications, Films and Computer Games) Act 1995.</i> Nature: Administered	-	-
Total special appropriation applied	96	-

Department of Communications and the Arts
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5.2: Special Accounts

	Art Rental Special Account ¹	Cultural Special Account ³	Indigenous Repatriation Special Account ⁴	National Cultural Heritage Special Account ⁵	Australia New Zealand Land Information Special Account ⁶	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	-	-	-	-	-	-
Increases						
Departmental						
Appropriation credited to special account	-	4,007	-	-	-	-
Transferred through restructuring	950	-	600	-	2,651	-
Receipts	2,209	-	322	-	-	-
Total departmental	3,159	-	4,007	-	2,651	-
Administered						
Transferred through restructuring	-	38,204	-	-	-	467
Contribution received	-	1,595	-	-	-	-
Telecommunication Industry Levy receipts	-	215,488	-	-	-	-
Appropriation credited to special account	-	95,933	-	-	-	-
Total administered	-	351,280	-	-	-	467
Total increases	3,159	-	355,287	-	2,651	-
Available for payments	3,159	-	355,287	-	2,651	-
Decreases						
Departmental						
Payments made	(2,259)	-	(2,412)	-	(360)	-
Contribution made	-	(1,595)	-	-	-	-
Balance transferred	-	-	-	(2,291)	-	-
Total departmental	(2,259)	-	(4,007)	-	(2,651)	-
Administered						
Transferred through restructuring	-	-	-	-	-	(93)
Payments made	-	(315,328)	-	-	(19)	(8)
Total administered	-	(315,328)	-	-	(19)	(32)
Total decreases	(2,259)	-	(319,335)	-	(2,651)	(101)
Total balance carried to the next period	900	-	35,952	-	374	-
					448	-
					-	101

Department of Communications and the Arts
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¹Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Financial Management and Accountability Determination 2006/18*.

Purpose: Amounts may be debited from the special account to:

a.acquire, deaccession, lease, promote, develop, exhibit, lend, conserve and undertake any other activities in relation to managing an art rental collection for the Commonwealth;

b.activities that are incidental to the purposes mentioned in paragraph (a); and

c.the repayment of amounts where an Act or other law requires or permits the repayment of an amount received.

²Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 30.

Establishing Instrument: *Telecommunications Universal Service Management Agency Act 2012*, section 84. Purpose: Support the delivery of Universal Service Obligation, National Relay Service and

other public interest telecommunications services for all Australians.

From 2013–14 financial year, the Australian Communications and Media Authority will collect a levy imposed on carriers under the *Telecommunications (Industry Levy) Act 2012*, and

the *Telecommunications Universal Service Management Agency Act 2012*. These levy receipts will be credited to the special account, and along with Government funding, will be used the pay contractors and grant recipients and contribute to the administrative costs.

³Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Determination 2011/18*. Purpose: Supporting the performance or administration of cultural activities.

⁴Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Determination 2005/45*. Purpose: Developing and conducting projects, programs and strategies associated with the repatriation of Indigenous ancestral remains and secret sacred objects. This determination was repealed on 1 April 2016 and the balance of \$2,290,875 was transferred to the Department's bank account.

Since then related expenses amounted to \$540,890 reducing the balance to \$1,749,985. This balance was transferred to the OPA on 29 June 2016 and retained under 2014–15 appropriation as identified in note 5.1B.

⁵Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 30.

Establishing Instrument: *Protection of Movable Cultural Heritage Act 1986*, section 25. Purpose: Amounts standing to the credit of the National Cultural Heritage Account may be expended for the purpose of facilitating the acquisition of the Australian protected objects for display or safe keeping.

This account is non-interest bearing and the balance is held in the Official Public Account.

⁶Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Determination 2001/11*. Purpose: To make payments in relation to developing best practice policies and guidelines in spatial data management in Australia and New Zealand and assisting the growth of a spatial information industry in Australia and New Zealand. As a result of the AAO dated 21 September 2015 this account was transferred to the Department of the Prime Minister and Cabinet.

The Department has a BAF Communications Portfolio Special Account as a part of the Nations Building Funds Act 2008. The account was established under section 80 of the Public Governance,

Performance and Accountability Act 2013. Purpose: To make payments in relation to the creation or development of communications infrastructure; and eligible national broadband network matters. For the year ended 30 June 2016, the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

The Department has a National Collections Special Account. This account was established under section 78 of the *Public Governance, Performance and Accountability Act 2013*. Purpose: To conduct projects, programs and strategies associated with future directions, needs and priorities of the collections sector. As at 1 April the special account was repealed. This account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

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	2016 \$'000	2015 \$'000
5.3: Regulatory Charging Summary		
Amounts applied		
Payments from portfolio bodies	-	-
Departmental	-	-
Annual appropriations	4,331	-
Special appropriation (including special accounts)	-	-
Own source revenue	68	-
Administered		
Annual appropriations	-	-
Special appropriation (including special accounts)	-	-
Total amounts applied	4,399	-
Expenses		
Departmental	4,399	-
Administered	-	-
Total expenses	4,399	-
External revenue		
Departmental	68	-
Administered	2,974	-
Total external revenue	3,042	-
Amounts written off		
Departmental	-	-
Administered	-	-
Total amounts written off	-	-

Regulatory charging activities:

Classification Fees: Before every film, computer game and certain publications can be legally made available to the Australian public by means of sale, exhibition or commercial distribution they must be classified (with limited exceptions). A valid classification application is to be accompanied with the prescribed fee before any classification decision can be made. The Classification (Publications, Films and Computer Games) Act 1995 and the Classification (Publications, Films and Computer Games) Regulations 2005 are the enabling legislation.

Cost Recovery Implementation Statement for the above activity is available at
<http://www.classification.gov.au/About/Pages/Legislation.aspx>.

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	2016 \$'000	2015 \$'000
5.4: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	1,685	655
Statement of financial position	1,685	655
Discrepancy	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
Reconciliation of net cost of services to net cash from (used by) operating activities		
Net contribution by services	(104,809)	(96,713)
Revenue from Government	99,915	91,377
Adjustments for non-cash items		
Adjustment for changes in accounting estimates	-	(210)
Adjustment to opening balance	-	(267)
Depreciation/amortisation	5,166	5,906
Net write-down of non-financial assets	800	730
Finance costs	33	-
Prior year revenue	(262)	-
Gain on disposal of assets	(9)	(4)
Gain on make good	(116)	-
Movement in assets and liabilities		
Assets		
Decrease / (Increase) in net receivables	(2,506)	1,006
Increase in accrued revenue	366	(366)
(Increase) / decrease in prepayments	(22)	634
Liabilities		
(Decrease) / Increase in supplier payables	(4,416)	5,967
Increase in grant payables	-	-
Decrease in other payables	(1,617)	(92)
Decrease in employee provisions	(185)	(8,175)
Increase / (decrease) in other provisions	(215)	274
Net cash from (used by) operating activities	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	(7,877)	67

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	2016 \$'000	2015 \$'000
5.5: Administered - Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement		
Cash and cash equivalents as per		
Administered cash flow statement	-	-
Administered schedule of assets and liabilities	-	-
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net cost of services	(2,016,528)	(1,485,860)
Adjustments for non-cash items		
Depreciation/amortisation	9,170	7,991
Gain on reversal of previous write-downs and impairment	(37)	-
Interest	(928)	(396)
Rental income	(1,529)	(1,529)
Finance Costs	1,285	3,269
Transfer of assets	-	705
Movement in assets and liabilities		
Assets		
Decrease/(Increase) in net receivables	(2,845)	6,146
Decrease in other non-financial assets	2,727	3,227
Liabilities		
Increase/(Decrease) in supplier payables	6,634	(2,197)
Decrease in subsidies payables	-	(163)
Increase/(Decrease) in grants payables	9,772	(22,458)
(Decrease) in other payables	(38)	(1,530)
Net cash used by operating activities	(1,992,317)	(1,492,795)

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6. People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

	2016 \$'000	2015 \$'000
6.1: Employee Provisions		
Leave	22,724	16,483
Separations and redundancies	148	183
Total employee provisions	22,872	16,666
Employee provisions expected to be settled		
No more than 12 months	6,629	5,124
More than 12 months	16,243	11,542
Total employee provisions	22,872	16,666

Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by using the Department of Finance's Short Hand Method as at 30 June 2016, as outlined in the Financial Reporting Rule. The estimate of the present value of the liability takes into account expected attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The entity's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The entity makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Department of Communications and the Arts
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	2016 \$'000	2015 \$'000
6.2: Senior Management Personnel Remuneration		
Short-term employee benefits		
Salary	5,899	5,063
Motor vehicle and other allowances	727	760
Total short-term employee benefits	6,626	5,823
Post-employment benefits		
Superannuation	1,164	981
Total post-employment benefits	1,164	981
Other long-term employee benefits		
Annual leave	516	431
Long-service leave	301	195
Total other long-term employee benefits	817	626
Termination benefits		
Voluntary redundancy payments	553	358
Total termination benefits	553	358
Total senior management personnel remuneration expenses	9,160	7,788

The total number of senior management personnel included in the above table is 43 individuals (2015: 33 individuals).

Department of Communications and the Arts
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7. Managing uncertainties

This section analyses how the Department of Communications and the Arts manages financial risks within its operating environment.

7.1: Contingent Assets and Liabilities

7.1A: Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

There are no quantifiable contingencies as at 30 June 2016 (2015: nil).

Unquantifiable Contingencies

There are no unquantifiable contingencies as at 30 June 2016 (2015: nil).

Significant Remote Contingencies

Operating Leases and Car Parking Licences

The Commonwealth indemnifies third parties against loss in relation to operating leases for accommodation, storage and some car parking. The Commonwealth also indemnifies some third parties against loss in relation to car parking facilities acquired under car parking licence agreements. As at 30 June 2016, no claims have been made.

Westpac Banking Corporation

The Commonwealth indemnifies Westpac Banking Corporation against loss reasonably incurred in relation to Departmental banking functions. In June 2013, the Department entered into a new banking contract with Westpac that provided for an indemnity capped at \$50 million per occurrence. The previous contract provided for an indemnity capped at \$25 million per occurrence. As at 30 June 2016, no claims have been made.

Department of Communications and the Arts
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7.1B: Administered Contingent Assets and Liabilities

Quantifiable Administered Contingencies

As at 30 June 2016, the Australian Government did not have any quantifiable contingencies (2015: nil).

Unquantifiable Administered Contingencies

Termination of the Funding Agreement with OPEL

As at 30 June 2016, the Australian Government is a party to legal action brought by OPEL Networks Pty Ltd (in Liquidation) (OPEL) and Optus Networks Pty Ltd (Optus) in relation to an agreement under the Broadband Connect Infrastructure Program. OPEL is a joint venture between Optus and Elders Telecommunications Infrastructure Pty Ltd. The outcome of that litigation is unknown as the proceedings are ongoing.

NBN Co Limited (NBN Co) Board Members Insolvency Indemnity

The Australian Government has provided each Director of NBN Co with an indemnity against liability as a result of the Government failing to meet its funding obligations to NBN Co. The liabilities covered by this indemnity would be no greater than those covered by the NBN Co Equity Agreement, with the exception of any legal expenses incurred by individual Directors arising from this indemnity.

Significant Remote Administered Contingencies

NBN Co Interim Board Members Indemnity

The Australian Government indemnified the Interim Directors of NBN Co against any liability in respect of claims or legal costs and expenses in defending claims or undertaking proceedings, which may have arisen as a result of any such person acting in their capacity as a director of the company. The removal of Interim Directors occurred on 6 August 2009. As at 30 June 2016, no claims have been made.

Telstra Financial Guarantee

The Australian Government has provided a guarantee to Telstra Corporation Limited (Telstra) in respect of NBN Co's financial obligations to Telstra under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 30 June 2016, NBN Co had generated liabilities covered by the guarantee estimated at 4.6 billion. The guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is capitalised by the Commonwealth to the agreed amount; or
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

Optus Financial Guarantee

The Australian Government has provided a guarantee in respect of the NBN Co Limited's (NBN Co) financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement (Guarantee). An amended version of that Agreement came into effect on 19 September 2015 and the Guarantee continues to apply to that Agreement. The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial areas. As at 30 June 2016 it is estimated that the Australian Government's liability under the Guarantee will not exceed \$50 million (though the potential liability will vary from time to time, depending on the amount owing by NBN Co under the Optus HFC Subscriber Agreement). There is a low risk that a claim would be made under the Guarantee. The Guarantee will terminate in 2021.

Equity Funding Agreement

The Australian Government has entered into an Equity Funding Agreement with NBN Co. The Agreement formalises the Australian Government's intention to provide equity to fund the roll-out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Australian Government, in the event of a termination of the National Broadband Network roll-out, to provide sufficient funds to NBN Co to meet its costs arising from that termination. Although the NBN Co Equity Funding Agreement will end in 2019, the Commonwealth would retain obligations to meet NBN Co's costs arising from a termination of the roll-out. As at 30 June 2016, NBN Co's termination liabilities were estimated at \$10.8 billion.

Department of Communications and the Arts
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	2016	2015
	\$'000	\$'000

7.2: Financial Instruments

7.2A: Categories of Financial Instruments

Financial Assets

Loans and receivables

Cash and cash equivalents	1,685	655
Good and Services Receivable	1,270	395
Other Receivables	162	103
Total loans and receivables	3,117	1,153

Total financial assets

3,117

1,153

Financial Liabilities

Financial liabilities measured at amortised cost

Suppliers	4,255	8,338
Other Payables	1,239	452
Total financial liabilities measured at amortised cost	5,494	8,790

Total financial liabilities

5,494

8,790

The Department had no gains and losses on financial assets nor financial liabilities in both the current and prior year.

7.2B: Fair Value of Financial Instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	1,685	1,685	655	655
Good and Services Receivable	1,270	1,270	395	395
Other Receivables	162	171	103	103
Total financial assets	3,117	3,126	1,153	1,153
Financial Liabilities				
Suppliers	4,255	4,255	8,338	8,338
Other Payables	1,239	1,239	452	452
Total financial liabilities	5,494	5,494	8,790	8,790

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Accounting Policy

Financial assets

The entity classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- d) available-for-sale financial assets; and
- c) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon trade date.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Department of Communications and the Arts
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for the year ended 30 June 2016

7.2C: Credit Risk

The Department is not exposed to a high level of credit risk as the majority of financial assets are cash and receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of trade debtors and other receivables, net of impairment losses, represents the Department's maximum exposure to credit risk as \$1,423,000 (2015: \$498,000). The Department has assessed the risk of the default on payment and has allocated an amount of \$9,000 to an impairment allowance in 2016 (2015: nil).

The Department manages its credit risk by undertaking background and credit checks prior to entering a debtor relationship. In addition, the Department has policies and procedures that guide debt recovery activities.

The Department holds no collateral to mitigate against credit risk.

Included in the Department's receivables balance are debtors with a carrying amount of \$118,000 (2015: \$111,000) that are past due at the reporting date. Based on experience, the Department considers that the amounts are still recoverable.

	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past Due or Impaired	Past Due or Impaired
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loans and receivables				
Cash and cash equivalents	1,685	655	-	-
Good and Services Receivable	1,174	291	96	104
Other Receivables	149	96	13	7
Total	3,008	1,042	109	111

Ageing of financial assets that were past due but not impaired for 2016

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables					
Good and Services Receivable	85	4	-	7	96
Other Receivables	-	-	9	4	13
Total	85	4	9	11	109

Ageing of financial assets that were past due but not impaired for 2015

Loans and receivables					
Good and Services Receivable	-	-	-	-	-
Other Receivables	104	-	-	7	111
Total	104	-	-	7	111

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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7.2D: Liquidity Risk

The Department's financial liabilities consist of payables. The exposure to liquidity risk is based on the notion that the Department may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding mechanisms. The Department is appropriated funding from the Australian Government and manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Department has policies in place to ensure timely payments are made when due and has no experience of default.

All financial liabilities are payable within one year.

The Department has no derivative financial liabilities in both the current and prior year.

7.2E: Market Risk

The Department holds basic financial instruments that do not expose it to certain market risks.

The Department is not exposed to 'currency risk' or 'other price risk'.

The Department does not have any interest-bearing items on the Statement of Financial Position. Therefore, the Department is not exposed to 'interest rate risk'.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
7.3: Administered - Financial Instruments		
7.3A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Loans to corporate Commonwealth entities	87,201	67,468
Other	147	-
Total loans and receivables	<u>87,348</u>	<u>67,468</u>
Available for sale financial assets		
Other Investments	25,991,971	12,043,005
Total available for sale financial assets	<u>25,991,971</u>	<u>12,043,005</u>
Total financial assets	<u>26,079,319</u>	<u>12,110,473</u>
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	330,493	304
Grants	15,551	4,051
Total financial liabilities measured at amortised cost	<u>346,044</u>	<u>4,355</u>
Total financial liabilities	<u>346,044</u>	<u>4,355</u>
7.3B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	2,519	1,312
Net gains on loans and receivables	<u>2,519</u>	<u>1,312</u>
Available for sale financial assets		
Losses recognised in investments	(1,950,149)	(1,730,279)
Net losses on available for sale financial assets	<u>(1,950,149)</u>	<u>(1,730,279)</u>
Net Losses on financial assets	<u>(1,947,630)</u>	<u>(1,728,967)</u>

Department of Communications

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

7.3C: Fair Value of Financial Instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Loans to corporate Commonwealth entities	87,201	90,519	67,468	69,437
Other	147	140	-	-
Available for sale financial assets				
Other Investments	25,991,971	25,991,971	12,043,005	12,043,005
Total financial assets	26,079,319	26,082,630	12,110,473	12,112,442
Financial Liabilities				
Suppliers	330,493	330,493	304	304
Grants	15,551	15,551	4,051	4,051
Total financial liabilities	346,044	346,044	4,355	4,355

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2016

7.3D: Credit Risk

The administered activities of the Department were not exposed to a high level of credit risk as the majority of financial assets are trade receivables, loans to Government controlled and funded entities and investment in Portfolio Agencies. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of financial assets, net of impairment losses, reported in the Administered schedule of assets and liabilities represents the maximum exposure to credit risk as \$24,993,284,000 (2015: \$11,317,473,000). Credit risk is managed by undertaking background and credit checks prior to allowing a debtor relationship. In addition, there are policies and procedures that guide debt recovery techniques that are to be applied.

The Department has assessed the risk of the default on payment and has not allocated an amount to an impairment allowance in 2016 (2015: Nil).

Credit quality of financial assets not past due or individually determined as impaired

	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past Due or Impaired	Past Due or Impaired
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loans and receivables				
Loans to corporate Commonwealth entities	87,201	67,468	-	-
Receivables - other	5	-	142	-
Available for sale financial assets				
Other Investments	25,991,971	12,043,005	-	-
Total	26,079,177	12,110,473	142	-

Ageing of financial assets that were past due but not impaired in 2016

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables					
Receivables - loan to corporate Commonwealth entities	-	-	-	-	-
Receivables - other	-	-	48	87	135
Total	-	-	48	87	135

Ageing of financial assets that were past due but not impaired in 2015

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables					
Receivables - loans to corporate Commonwealth entities	-	-	-	-	-
Receivables - other	-	-	-	-	-
Total	-	-	-	-	-

Department of Communications
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7.3E: Liquidity Risk

The Administered financial liabilities are trade creditors, grants and subsidies payable. The exposure to liquidity risk is based on the notion that the Commonwealth will encounter difficulty in meeting its obligations associated with Administered financial liabilities. This is highly unlikely due to appropriation funding and mechanisms, internal policies and procedures that are currently in place.

All financial liabilities are payable within one year.

7.3F: Market Risk

Other than Administered Investments the Commonwealth holds basic financial instruments that do not expose the Commonwealth to certain market risks. The Department's Administered activities are not exposed to 'currency risk' and 'other price risk'.

Interest rate risk

'Interest rate risk' refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The only interest bearing item in the closing Administered schedule of assets and liabilities is 'loans receivable'. These items have fixed interest and will, therefore, not fluctuate due to changes in the market interest rate.

Other price risk

The Department's administered activities are not exposed to 'Other Price Risk'. Its administered investments are not traded on the Australian Stock Exchange. It does not hold any other financial instruments that would be exposed to price risk.

7.4: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Accounting Policy

The Department engaged the services of the Australian Valuation Solutions (AVS) to conduct a full revaluation of all non-financial assets at 30 June 2016 and has relied upon those outcomes to establish the fair value measurements. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. AVS has provided written assurance to the Department that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical Depreciation and Obsolescence - Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account the physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit/asset obsolescence deduction is determined based on the term of the associated lease.

The Department's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

7.4A: Fair Value Measurement

	Fair value measurements		Category (Level 1, 2 or 3) ³	Valuation Technique(s) and Inputs Used
	2016 \$'000	2015 \$'000		
Non-financial assets²				
Heritage and Cultural ¹	36,033	-	2	Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving artwork assets were considered.
Plant and Equipment ¹	1,432	1,018	2	Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Plant and Equipment	450	553	3	Market Approach: This approach seeks to estimate the fair value of an asset with reference to market transactions involving assets with varying degrees of comparability. Inputs: Professional judgement and available information generated by market transactions involving plant and equipment assets were considered.
Plant and Equipment ¹	1,060	881	3	Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Leasehold Improvements ¹	4,835	2,867	3	Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Leasehold Make Good ¹	362	378	3	Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. BPI and the Government bond rates have been utilised to determine the present value of the provision. Inputs: Current restoration costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Total Non-financial assets	44,172			5,697

¹ No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2016 (2015: Nil)

² The Department's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial asset's is considered their highest and best use.

³ There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

⁴ The remaining assets and liabilities reported by the Department are not measured at fair value in the Statement of Financial Position.

7.4B: Reconciliation for Recurring Level 3 Fair Value Measurements

	Buildings		Property, Plant and Equipment		Non-financial assets		Total
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	
As at 1 July							
Additions by purchase	3,245	5,573	1,434	2,519	4,679	8,092	
Acquisitions of entities or operations (including restructuring)	551	154	595	-	1,146	154	
Revaluation increments recognised in other comprehensive income	2,850	-	359	(256)	3,209	-	
Impairments recognised in the retained surplus	38	(786)	-	(4)	38	(1,042)	
Depreciation	(9)	-	(779)	(825)	(9)	(4)	
Reclassification	(1,477)	(1,696)	(88)	-	(2,256)	(2,521)	
Disposal	-	-	(11)	-	(88)	-	
Transfers into Level 3 ³	(1)	-	-	-	(12)	-	
Transfers out of Level 3 ⁴	-	-	-	-	-	-	
Total as at 30 June	5,197	3,245	1,510	1,434	6,707	4,679	

¹ These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation and Write Down and Impairment of Assets.

² These gains/(losses) are presented in the Statement of Comprehensive Income under Other Changes in Asset Revaluation Reserves.

³ There have been no transfers of plant and equipment assets into level 3 during the year.

⁴ There have been no transfers of plant and equipment assets out of level 3 during the year.

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7.5: Administered - Fair Value Measurements

The following table provides an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of fair value hierarchy are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Accounting Policy

Fair values for Regional Backbone Blackspots Program (RBBP) network infrastructure assets under property, plant and equipment category are determined based on the depreciated replacement cost methodology. The methodology is calculated for each individual part of the asset using a price per unit adjusted for inflation, a quantity of each component and a location factor before being aggregated to form the values for each identified component of the assets; fibre optic cable, Control Environment Vault Shelters and Backbone Point of Interconnect cabinets.

The Department procured the service of the Australian Valuation Solutions (AVS) to undertake a comprehensive valuation of all non-financial assets (excluding the RBBP) at 30 June 2016, which includes the Administered National Institute of Dramatic Arts Building. The Department tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

7.5A: Fair Value Measurements

	Fair value measurements	Category (Level 1, 2 or 3) ²	Valuation Technique(s) and Inputs Used	
			2016 \$'000	2015 \$'000
Financial assets⁵				
Receivables - loans to corporate Commonwealth entities	90,519	69,437	2	Discounted cash flow (DCF); Future principal, interest cash flows and market rate of interest
Available for sale financial assets⁶				
Australian Broadcasting Corporation	1,053,200	1,021,100	3	Net asset balance
Special Broadcasting Service Corporation	199,375	199,305	3	Net asset balance
Australia Council	23,317	-	3	Net asset balance
Australian Film, Television and Radio School	10,895	-	3	Net asset balance
Australian National Maritime Museum	255,233	-	3	Net asset balance
National Film and Sound Archive of Australia	297,086	-	3	Net asset balance
National Gallery of Australia	6,254,000	-	3	Net asset balance
National Library of Australia	1,680,711	-	3	Net asset balance
National Museum of Australia	470,605	-	3	Net asset balance
National Portrait Gallery of Australia	128,113	-	3	Net asset balance

			Fair value measurements	Category	Valuation Technique(s) and Inputs Used
			2016 \$'000	2015 \$'000	(Level 1, 2 or 3) ²
Screen Australia	17,679	-	3	3	Net asset balance
Bundanon Trust	51,159	-	3	3	Net asset balance
Creative Partnerships Australia	1,638	-	3	3	Net asset balance
NBN Co Limited ³	13,068,900	8,501,000	3	3	Administered investment valuation in the NBN Co Limited is based on its net assets balance with the property, plant and equipment adjusted for fair value and the discounting of lease and superannuation liabilities adjusted by applying the Government bond rate. Discounted cash flow (DCF); Volume and price growth rates, and Weighted Average Cost of Capital (WACC)
Investment in Australian Postal Corporation	2,480,000	2,321,600	3	3	
					<i>Volume & Price Growth/Rates Range</i>
					- 0.41% an increase of approximately \$101 million
					- 0.59% a decrease of approximately \$125 million
					<i>Weighted Average Cost of Capital Range</i>
					- 0.3% an increase of approximately \$150 million
					- 0.2% a decrease of approximately \$60 million
Total financial assets	26,082,490	12,112,442			
Non-financial assets⁵					
Buildings	58,207	-	3	3	Depreciated Replacement Cost (DRC): Current Cost per square metre of floor area relevant to the location asset. Physical depreciation and obsolescence has been determined based on the term of the associated nominal lease
Property, plant and equipment	165,655	172,144	3	3	Depreciated Replacement Cost (DRC)
					Replacement cost per unit for the following asset components:
					<i>Asset Component</i>
					<i>Range (\$'000) (Weighted Average)</i>
					\$4.49 - \$10.49 (\$5.60)
					- Fibre optic cable (per km)
					\$369.47-90 -\$7715.00 (\$429.13)
					- Controlled environment vault shelters (per
					\$731.67-61 -\$1,180.00 (\$813.48)
					- Transmission Equipment
					\$20.71-\$161.90 (\$122.94)
					- Bpol cabinets (per cabinet)
					Other Inputs
					<i>Input</i>
					<i>Range (Weighted average)</i>
					- Remaining useful life (in years)
					10 - 25 (21)
					- Inflation factor
					0.81% - 1.36% (1.15%)
					- Installation cost per section of network
					\$535.12 - \$1253.56 (\$623.57)
					- Installation cost per cabinet
					\$40.57 - \$174.76 (\$122.97)
					<i>Sensitivity of the fair value measurement to change in unobservable inputs</i>
					The estimated fair value would increase (decrease) if:
					• the replacement cost per unit for the asset components was higher (lower);
					• the rate of inflation was higher (lower);
Total non-financial assets	223,862	172,144			
Total assets	26,306,352	12,284,596			

¹ The Department did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2016.

² Significant Level 3 inputs utilised by the Department are derived and evaluated as follows; assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

³ The Discounted Cash Flow (DCF) method, is appropriate when it results in a measurement that is more representative of fair value. Per AASB13.B.10 when using an income approach, fair value reflects current market expectations about the future amounts.

⁴ Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category. The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

⁵ The current use of all non-financial assets is considered their highest and best use.

⁶ Administered investments valuations are based on the audited net asset balance with the exception of the Australian Postal Corporation and NBN Co Limited. Australia Post is based on the discounted cash flow methodology. NBN Co Limited is audited net asset balance adjusted for fair value of Property, Plant and Equipment and discounting leave and superannuation liabilities adjusted by applying the Government bond rate.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7.5B: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets		Non-financial assets		Total
	Administered Investments	Building	Property, plant and equipment		
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000
As at 1 July¹	12,043,005	9,020,908	2016 \$'000	2015 \$'000	2015 \$'000
Revaluation (decrements)/increments recognised in other comprehensive income	(1,950,149)	(1,730,279)	-	-	9,200,687
Restructure	8,803,068	-	59,344	1,544	(1,729,218)
Equity injections	7,096,046	4,767,000	-	-	-
Returns to the Consolidated Revenue Fund (CRF)	-	(14,625)	-	-	-
Depreciation	1	1	(1,137)	-	-
Other ²			-	(8,033)	(7,991)
Total as at 30 June³	25,991,971	12,043,005	58,207	165,655	172,144
					26,215,833
					12,215,149

¹ Opening balance as determined in accordance with AASB 13.

² Included in the other movement for Property, Plant and Equipment is \$705,000 relating to the indefeasible rights of use (IRUs), relating to network infrastructure assets, issued by the Commonwealth to the Department of Defence in October 2014.

³ Extra details in Note 4.2A

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

8. Other Information

8.1: Restructuring

8.1A: Departmental Restructuring

	2016	2015
Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency ¹	\$'000	\$'000
Classification, Copyright and Arts and Cultural Development, Attorney-General's Department ²	\$'000	\$'000
Digital Productivity, Department of Industry, Innovation and Science ³	\$'000	\$'000
Digital Innovation related to Data Policy, Prime Minister and Cabinet ⁴	\$'000	\$'000
Australian New Zealand Land Information Special Account, The Department of Industry and Science ⁵	\$'000	\$'000
FUNCTIONS ASSUMED		
Assets recognised		
Cash	49	951
Appropriation receivable	-	9,454
Appropriation receivable - Special Accounts	-	3,251
Receivables	75	343
Land and buildings	415	2,435
Property, plant and equipment	94	37,217
Intangibles	-	1,470
Other non-financial assets	31	63
Total assets recognised	664	55,184
Liabilities recognised		
Supplier payables	524	1,933
Other payables	461	2,641
Other provisions	85	91
Employee provisions	534	7,006
Total liabilities recognised	1,604	11,671
Net assets/(liabilities) assumed⁶	(940)	43,513
Income assumed		
Recognised by the receiving entity	4,007	19,428
Recognised by the losing entity	-	10,248
Total income assumed	4,007	29,676

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency¹	Classification, Copyright and Arts and Cultural Development, Attorney-General's Department²	Digital Productivity, Innovation and Science³
\$'000	\$'000	\$'000
Expenses assumed		
Recognised by the receiving entity	4,007	19,428
Recognised by the losing entity	-	9,467
Total expenses assumed	4,007	28,895
FUNCTIONS RELINQUISHED		
Assets relinquished		
Appropriation Receivable	-	-
Total assets relinquished	-	-
Liabilities relinquished		
Employee provisions	-	-
Total liabilities relinquished	-	-
Net (assets)/liabilities relinquished⁷	-	-

¹ Telecommunications Service Agreements and Grants function was assumed from the Telecommunications Universal Service Management Agency (TUSMA) due to a Cabinet Decision effective 1 July 2015 and as such the Department's statements contain the revenue and expenses for the full financial year.

² Classification, Copyright and Arts and Cultural Development functions were assumed from the Attorney-General's Department following a restructuring of administrative arrangements, effective 21 September 2015, with assets, liabilities and operations transferring with effect from 1 November 2015.

³ Digital Productivity was relinquished to the Department of Industry, Innovation and Science following a restructuring of administrative arrangements, effective 21 September 2015.

⁴ Digital Innovation related to Data Policy was relinquished to Department of Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 21 September 2015.
⁵ The Australian New Zealand Information (ANZLI) Special Account was assumed as a result of the Prime Ministers decision to transfer the Office of Spatial Policy functions from the Department of Industry and Science, effective 1 July 2014.

⁶ The net assets/(liabilities) assumed from all entities were \$42,572,786.

⁷ The net (assets)/liabilities relinquished to all entities were \$1,696.

⁸ In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred for no consideration.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

				2016	2015
8.1B: Administered Restructuring					
	Telecommunications Service Agreements and Grants, Universal Service Management Agency ¹	Classification and Arts and Cultural Development, Attorney-general's Department ²	Digital Productivity, Innovation and Science ³	\$'000	\$'000
FUNCTIONS ASSUMED					
Assets recognised					
Special Account - ANZL ¹	-	-	-	467	133
Special Account - National Cultural Special Account - Public Interest Telecommunications Services	38,204	-	-	-	-
Receivables	29,416	-	-	55	-
Receivables - GST	-	-	-	-	-
Investments	-	-	-	-	-
Land and Buildings	-	-	-	-	-
Other non-financial assets	-	-	-	8	-
Total assets recognised	67,620			8,862,942	133
Liabilities recognised					
Payables - suppliers	323,547	-	-	-	-
Payables - grants	-	-	-	1,728	-
Other payables	3	-	-	571	-
Total liabilities recognised	323,550			2,307	-
Net assets/(liabilities) assumed⁶	(255,930)			8,860,635	-
Income assumed					
Recognised by the receiving entity	351,280	-	-	-	-
Recognised by the losing entity	-	-	-	-	-
Total income assumed	351,280			641,491	-
Expenses assumed					
Recognised by the receiving entity	315,328	-	-	-	-
Recognised by the losing entity	-	-	-	-	-
Total expenses assumed	315,328			613,326	-

Australian New Zealand
 Land Information
 Special Account,
 The Department of
 Industry and Science⁵

Digital Innovation
 related to Data Policy,

Prime Minister and

Cabinet⁴

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Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2016

		2016	2015
Telecommunications Service Agreements and Grants, Universal Service Management Agency ¹	Classification and Arts Development, Attorney-General's Department ²	Digital Productivity, Department of Industry, Innovation and Science ³	Digital Innovation related to Data Policy, Prime Minister and Cabinet ⁴
\$'000	\$'000	\$'000	\$'000
FUNCTIONS RELINQUISHED			
Assets relinquished			
Special Account - ANZLI	-	-	-
Total assets relinquished	-	-	-
Net (assets)/liabilities relinquished⁷			
	-	-	-
		93	93
		(93)	(93)

¹ Telecommunications Service Agreements and Grants function was assumed from the Telecommunications Universal Service Management Agency (TUSMA) due to a Cabinet Decision effective 1 July 2015 and as such the Department's statements contain the revenue and expenses for the full financial year.

² Classification and Arts and Cultural Development functions were assumed from the Attorney-General's Department following a restructuring of administrative arrangements, effective 21 September 2015, with assets, liabilities and operations transferring with effect from 1 November 2015.

³ Digital Productivity was relinquished to the Department of Industry, Innovation and Science following a restructuring of administrative arrangements, effective 21 September 2015.

⁴ Digital Innovation related to Data Policy was relinquished to Department of Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 21 September 2015.

⁵ The Australian New Zealand Information (ANZLI) Special Account was assumed as a result of the Prime Ministers decision to transfer the Office of Spatial Policy functions from the Department of Industry and Science, effective 1 July 2014.

⁶ The net assets/(liabilities) assumed from all entities were \$8,604,704,828.

⁷ The net (assets)/liabilities relinquished to all entities were \$93,534.

⁸ In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred for no consideration.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

8.2: Reporting of Outcomes

8.2.2: Net Cost of Outcome Delivery

The Department reports on two outcomes. All of the Department's departmental and administered revenue, expenses, assets and liabilities are allocated to Outcome 1 and 2 in the table below.

	Outcome 1 ¹		Outcome 2 ²		Payments to corporate Commonwealth entities ³			Total 2015 \$'000
	2016		2016		2015	2016	Total 2015 \$'000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Expenses								
Employee benefits	55,244	50,825	10,793	-	66,037	50,825	50,825	
Suppliers	32,649	40,784	2,552	-	35,201	40,784	40,784	
Grants	1,595	-	718	-	2,313	-	2,313	
Depreciation and amortisation	4,658	5,906	508	-	5,166	5,906	5,906	
Finance costs	33	65	-	-	33	65	65	
Write-down and impairment of assets	600	730	200	-	800	730	730	
Other expenses	-	11	-	-	-	11	11	
Total expenses	94,779	98,321	14,771	-	109,550	98,321	98,321	
Own-source income								
Sale of goods and rendering of services	906	795	2,396	-	-	3,302	795	
Rental income	226	215	-	-	-	226	215	
Other revenue	253	203	433	-	-	696	203	
Gains	517	395	-	-	-	517	395	
Total Own-source income	1,912	1,603	2,829	-	4,741	1,608	1,608	
Expenses								
Suppliers	325,903	11,627	22,825	-	-	-	348,728	11,627
Subsidies	-	(133)	-	-	-	-	-	(133)
Grants	77,012	111,849	91,721	-	-	-	168,733	111,849
Depreciation and amortisation	8,033	7,991	1,137	-	-	-	9,170	7,991
Finance costs	1,285	3,269	-	-	-	-	1,285	3,269
Payments to corporate Commonwealth entities	-	-	-	1,491,320	1,349,152	1,491,320	1,349,152	
Other expenses	6,667	6,364	597	-	-	-	7,264	6,364
Total expenses	418,900	140,967	116,280	-	1,491,320	1,349,152	2,026,500	1,490,119

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Outcome 1		Outcome 2 ²		Payments to corporate Commonwealth entities ³		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Income								
Sales of goods and rendering of services	2,974	-	-	-	2,974	-	-	-
Interest	2,519	1,312	-	-	2,519	1,312	-	-
Rental income	1,891	1,529	(362)	-	1,529	1,529	-	-
Other revenue	2,950	429	(37)	-	2,913	429	-	-
Reversals of previous asset write-downs and impairments	-	-	37	-	37	-	-	-
Other gains	-	989	-	-	-	-	989	-
Total income	10,334	4,259	(362)	-	1,491,320	1,349,152	9,972	4,259
Net cost/(contribution) of outcome delivery	501,433	233,421	128,584	-	1,491,320	1,349,152	2,121,337	1,532,573
Assets								
Cash and cash equivalents	785	655	900	-	-	-	1,685	655
Trade and other receivables	25,738	19,954	-	-	-	-	25,738	19,954
Other financial assets	-	366	-	-	-	-	-	366
Buildings	3,098	3,245	2,099	-	-	-	5,197	3,245
Property, plant and equipment	2,781	2,452	36,424	-	-	-	39,205	2,452
Intangibles	9,091	8,550	86	-	-	-	9,177	8,550
Other non-financial assets	976	908	48	-	-	-	1,024	908
Total assets	42,469	36,130	39,557	-	-	-	82,026	36,130
Liabilities								
Suppliers	5,133	9,621	857	-	-	-	5,990	9,621
Other payables	1,825	3,135	2,795	-	-	-	4,620	3,135
Employee provisions	17,766	16,666	5,106	-	-	-	22,872	16,666
Other provisions	4,843	4,177	-	-	-	-	4,843	4,177
Total liabilities	29,567	33,599	8,758	-	-	-	38,325	33,599

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Payments to corporate Commonwealth entities ³						Total 2015 \$'000	
	Outcome 1 ¹		Outcome 2 ²		2015 \$'000	2016 \$'000		
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000				
Assets								
Trade and other receivables	119,023	68,269	1,251			120,274	68,269	
Other investments	16,801,475	12,043,005	9,190,496			25,991,971	12,043,005	
Other financial assets	-	12	19			19	12	
Buildings	-	-	58,207			58,207	-	
Property, plant and equipment	165,655	172,144	-			165,655	172,144	
Other non-financial assets	4,435	7,154	-			4,435	7,154	
Total assets	17,090,588	12,290,584	9,249,973	-	-	26,346,561	12,290,584	
Liabilities								
Suppliers	330,423	304	70			330,493	304	
Grants	15,141	4,051	410			15,551	4,051	
Other payables	20,106	21,087	1,081			21,187	21,087	
Total liabilities	365,670	25,442	1,561	-	-	367,231	25,442	

¹ Outcome 1 is described in the Overview. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 1 Resourcing Table of this Annual Report.

² Outcome 2 is described in the Overview. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 2 Resourcing Table of this Annual Report.

³ Payments to corporate Commonwealth entities are not related to the outcomes of the Department.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTE 8.3: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2015-16 Portfolio Budget Statements (PBS) to the 2015-16 final financial outcome as presented in accordance with Australian Accounting Standards for the Department. The Budget is not audited and does not reflect additional estimates provided in the 2015-16 Portfolio Additional Estimates Statements (PAES) and the financial impact of the Administrative Arrangement Orders (AAOs) of 21 September 2015. Variance explanations are provided for departmental variances greater than five percent and \$5 million and administered variances greater than 5 percent and \$20 million.

NOTE 8.3A: Departmental Budgetary Reports

Statement of Comprehensive Income
for the year ended 30 June 2016

	Actual	Budget estimate
	2016	Original ¹
	\$'000	2016 \$'000
NET COST OF SERVICES		
Expenses		
Employee benefits ³	66,037	57,815
Suppliers ³	35,201	26,938
Grants ⁴	2,313	-
Depreciation and amortisation	5,166	5,551
Finance costs	33	63
Write-down and impairment of assets	800	-
Total expenses	109,550	90,367
		19,183
Own-Source Income		
Own-source revenue⁵		
Sale of goods and rendering of services	3,302	-
Rental income	226	226
Other revenue	696	696
Total own-source revenue	4,224	4,224
Gains		
Net gain from sale of assets	9	9
Other gains	508	390
Total gains	517	127
Total own-source income	4,741	4,351
Net cost of services	(104,809)	(89,977)
Revenue from Government ³	99,915	84,426
Surplus (Deficit) before income tax on continuing operations	(4,894)	15,489
Surplus (Deficit) after income tax	(4,894)	657
OTHER COMPREHENSIVE INCOME		
Items not subject to subsequent reclassification to net cost of services		
Changes in asset revaluation surplus	(750)	-
Total other comprehensive income before income tax	(750)	(750)
Total comprehensive income after income tax	(750)	(750)
Total comprehensive loss	(5,644)	(5,551)
		(93)

The above statement should be read in conjunction with note 8.3B

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Financial Position
as at 30 June 2016

	Actual	Budget estimate	
	2016	Original ¹	Variance ²
	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Cash and cash equivalents	1,685	750	935
Trade and other receivables ⁶	25,738	8,990	16,748
Other financial assets	-	-	-
Total financial assets	27,423	9,740	17,683
Non-financial assets			
Buildings	5,197	4,689	508
Property, plant and equipment ⁷	39,205	5,416	33,789
Intangibles	9,177	8,092	1,085
Other non-financial assets	1,024	1,292	(268)
Total non-financial assets	54,603	19,489	35,114
Total assets	82,026	29,229	52,797
LIABILITIES			
Payables			
Suppliers ³	5,990	3,015	2,975
Other payables ⁸	4,620	2,975	1,645
Total payables	10,610	5,990	4,620
Provisions			
Employee provisions ⁶	22,872	16,291	6,581
Other provisions ⁹	4,843	1,745	3,098
Total provisions	27,715	18,036	9,679
Total liabilities	38,325	24,026	14,299
Net assets	43,701	5,203	38,498
EQUITY			
Contributed equity ¹⁰	62,694	20,317	42,377
Reserves	7,439	9,834	(2,395)
Accumulated deficit	(26,432)	(24,948)	(1,484)
Total equity	43,701	5,203	38,498

The above statement should be read in conjunction with note 8.3B

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 For the year ended 30 June 2016

Statement of Changes in Equity
 for the year ended 30 June 2016

	Retained earnings			Asset revaluation reserve			Contributed equity/capital			Total equity		
	Actual	Budget Estimate	Variance ¹	Actual	Budget Estimate	Variance ²	Actual	Original ¹	Variance ²	Actual	Original ¹	Variance ²
Opening balance	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Balance carried forward from previous period	(21,538)	(22,749)	1,211	8,189	9,834	(1,645)	15,880	16,080	(200)	2,531	3,165	(634)
Adjusted opening balance	(21,538)	(22,749)	1,211	8,189	9,834	(1,645)	15,880	16,080	(200)	2,531	3,165	(634)
Comprehensive income												
Surplus (Deficit) for the year	(4,894)	(5,551)	657	-	(750)	-	-	-	-	(4,894)	(5,551)	657
Other comprehensive income ¹⁰	-	-	-	-	-	(750)	-	-	-	(750)	-	(750)
Total comprehensive income	(4,894)	(5,551)	657	(750)	-	(750)	-	-	-	(5,644)	(5,551)	(93)
 Transactions with owners												
Distributions to owners												
Contributions by owners												
Equity injection - Appropriation	-	-	-	-	-	-	4,226	4,237	(11)	4,226	4,237	(11)
Departmental capital budget	-	-	-	-	-	-	42,588	-	42,588	42,588	-	42,588
Restructuring (8.1) ¹⁰	-	3,352	(3,352)	-	-	-	-	-	-	-	3,352	(3,352)
Total transactions with owners	-	3,352	(3,352)	-	-	-	46,814	4,237	42,577	46,814	7,589	39,225
 Transfers between equity components												
Closing balance as at 30 June	(26,432)	(24,948)	(1,484)	7,439	9,834	(2,395)	62,694	20,317	42,377	43,701	5,203	38,498

¹⁰The above statement should be read in conjunction with note 8.3B

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Cash Flow Statement
for the year ended 30 June 2016

	Actual	Budget estimate	
	2016	Original ¹	Variance ²
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government ⁶	102,585	84,426	18,159
Sales of goods and rendering of services ⁵	5,840	-	5,840
Net GST received	3,575	-	3,575
Other	767	-	767
Total cash received	112,767	84,426	28,341
Cash used			
Employees ³	70,140	56,039	14,101
Suppliers ³	42,484	28,387	14,097
Grants ⁴	2,544	-	2,544
Section 74 receipts transferred to Official Public Account ¹³	5,476	-	5,476
Other	-	-	-
Total cash used	120,644	84,426	36,218
Net cash (used by) from operating activities	(7,877)	-	(7,877)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	21	-	21
Total cash received	21	-	21
Cash used			
Purchase of buildings	2,710	808	1,902
Purchase of property, plant and equipment	551	2,052	(1,501)
Purchase of intangibles	380	1,377	(997)
Total cash used	3,641	4,237	(596)
Net cash used by investing activities	(3,620)	(4,237)	617
FINANCING ACTIVITIES			
Cash received			
Contributed equity ¹⁴	6,000	-	6,000
Departmental Capital Budget	3,236	4,237	(1,001)
Closure of special account	2,291	-	2,291
Cash from restructuring	1,000	-	1,000
Total cash received	12,527	4,237	8,290
Net cash from financing activities	12,527	4,237	8,290
Net increase in cash held			
Cash and cash equivalents at the beginning of the reporting period	1,030	-	1,030
Cash and cash equivalents at the end of the reporting period	655	750	(95)
	1,685	750	935

The above statement should be read in conjunction with note 8.3B

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTE 8.3B: Departmental Major Budget Variances

Explanations of major variances

¹ The Department's 2015-16 Portfolio Budget Statements (PBS) as presented to Parliament contained the original budgeted financial statements for 2015-16 of the Department of Communications. During the 2015-16 financial year as a result of the Administrative Arrangement Orders (AAOs) of 21 September 2015, the Department became the Department of Communications and the Arts. As a result of this, the Department assumed responsibility for cultural affairs, classification, and copyright functions and associated legislation from the Attorney-General's Department, while the Department's responsibility for enhancing digital productivity and the data policy functions were transferred to the Department of Industry, Innovation and Science, and to the Department of the Prime Minister and Cabinet.

² The variances primarily relate to the settlement of balances following the 2015-16 Machinery of Government (MoG) changes. The Department also received additional funding through the 2015-16 Portfolio Additional Estimates Statements (PAES).

Statement of Comprehensive Income

³ The variance primarily relates to staff and new programs transferred from the Attorney-General's Department following the MoG changes.

⁴ The variance relates to the Indigenous Repatriation Program transferred to the Department following the MoG changes and a contribution payment to the Public Interest Telecommunications Services Special Account.

⁵ The variance mainly reflects rental income received by Artbank for its artwork. The Artbank program was transferred to the Department following the MoG changes.

Statement of Financial Position

⁶ The variance reflects the appropriations received for leave provisions of staff transferred to the Department following the MoG changes.

⁷ The variance is predominately due to the transfer of Artbank's artworks following the MoG changes.

⁸ The variance mainly reflects rental income received in advance by Artbank for its artwork.

⁹ The variance mainly relates to the revaluation of makegood and leases transferred to the Department following the MoG changes.

Statement of Changes in Equity

¹⁰ The variance reflects the restructure of the Department following the MoG changes.

¹¹ The variance reflects the annual assets revaluation undertaken at 30 June 2016.

¹² The variance relates to budget adjustment to re-align the financial position to that of the actuals.

Cash Flow Statement

¹³ The variance relates to sale of goods and rendering of services receipts and GST refunds.

¹⁴ The variance reflects the funding for redundancies paid in 2014-15 drawn down by the Department in 2015-16.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTE 8.3C: Administered Budgetary Reports

Administered Schedule of Comprehensive Income
for the year ended 30 June 2016

	Budget estimate		
	Actual	Original¹	Variance²
	2016	2016	2016
	\$'000	\$'000	\$'000
NET COST OF SERVICES			
Expenses			
Suppliers ³	348,728	331,195	17,533
Grants ³	168,733	96,794	71,939
Depreciation and amortisation	9,170	7,990	1,180
Finance costs	1,285	-	1,285
Payments to corporate Commonwealth Entities ³	1,491,320	1,347,683	143,637
Other expenses	7,264	6,487	777
Total expenses	2,026,500	1,790,149	236,351
Income			
Revenue			
Non-taxation revenue			
Sales of goods and rendering of services ⁴	2,974	1,634	1,340
Interest ⁵	2,519	-	2,519
Rental income	1,529	1,529	-
Other revenue ⁶	2,913	-	2,913
Total Non-taxation revenue	9,935	3,163	6,772
Gains			
Reversal of asset write-downs and impairment	37	-	37
Total gains	37	-	37
Total income	9,972	3,163	6,809
Net cost of services	(2,016,528)	(1,786,986)	(229,542)
Deficit	(2,016,528)	(1,786,986)	(229,542)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	1,544	-	1,544
Items subject to subsequent reclassification to net cost of services			
Losses on available for sale financial assets	(1,950,149)	-	(1,950,149)
Total other comprehensive loss	(1,948,605)	-	(1,948,605)
Total comprehensive loss	(3,965,133)	(1,786,986)	(2,178,147)

The above statement should be read in conjunction with note 8.3D

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Administered Schedule of Assets and Liabilities
as at 30 June 2016

	Budget estimate		
	Actual	Original¹	Variance²
	2016	2016	2016
	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Trade and other receivables	120,274	124,524	(4,250)
Other investments ⁷	25,991,971	16,136,084	9,855,887
Other financial assets	19	-	19
Total financial assets	26,112,264	16,260,608	9,851,656
Non-financial assets			
Buildings ⁸	58,207	-	58,207
Property, plant and equipment ⁹	165,655	163,094	2,561
Other non-financial assets	4,435	4,166	269
Total non-financial assets	228,297	167,260	61,037
Total assets administered on behalf of Government	26,340,561	16,427,868	9,912,693
LIABILITIES			
Payables			
Suppliers ¹⁰	330,493	342,870	(12,377)
Grants ¹¹	15,551	-	15,551
Other payables	21,187	21,677	(490)
Total payables	367,231	364,547	2,684
Total liabilities administered on behalf of Government	367,231	364,547	2,684
Net assets	25,973,330	16,063,321	9,910,009

The above statement should be read in conjunction with note 8.3D

NOTE 8.3D: Administered Major Budgetary Variances

Explanations of major variances

¹ The department's 2015-16 Portfolio Budget Statements (PBS) as presented to Parliament contained the original budgeted financial statements for 2015-16 of the Department of Communications. During the 2015-16 financial year as a result of the Administrative Arrangement Orders (AAOs) of 21 September 2015, the department became the Department of Communications and the Arts.

As a result of this, the department assumed responsibility for cultural affairs, classification, and copyright functions and associated legislation from the Attorney-General's Department, while the department's responsibility for enhancing digital productivity and the data policy function were transferred to the Department of Industry, Innovation and Science, and Prime Minister and Cabinet respectively.

² The variances primarily relate to the settlement of balances following the 2015-16 Machinery of Government (MoG) changes. The Department also received additional funding through the 2015-16 Portfolio Additional Estimates Statements (PAES).

Administered Schedule of Comprehensive Income

³ The variance primarily relates to new programs and portfolio entities transferred from the Attorney-General's Department following the MoG changes.

⁴ The variance relates to the collection of fees for the classification function, which was transferred from the Attorney-General's Department following the MoG changes.

⁵ The variance relates to a loan for one of our Corporate Commonwealth Entities, which was not reflected in the 2015-16 PBS.

⁶ The variance mainly relates to the payment of unspent Departmental appropriation into the Public Interest Telecommunications Services Special Account.

⁷ The variance primarily reflects the new portfolio entities acquired through the MoG changes. (Please refer to the Note 4.1B for listing of the new entities).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

⁸ The variance relates to the transfer of Land and Buildings to the Department through the MoG changes.

⁹ The variance primarily reflects the annual revaluation of the Regional Backbone Blackspots Program assets network.

¹⁰ The variance primarily reflects the difference in estimated payments for the Public Interest Communications program.

¹¹ The variance reflects timing differences in the projected payment of grants as at 30 June 2016.

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SECTION 5

APPENDICES

Supplementary information on a range of issues, such as Public Interest contracts and grants, a resource statement and expenses for outcome, reporting on legislation and statutory instruments, workforce demographics, and advertising and market research.

Appendix 1 Public Interest contracts and grants—performance of recipient	164
Appendix 2 Agency resource statement and expenses for outcome	166
Appendix 3 Legislation and statutory instruments	173
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Appendix 5 Advertising and market research	178

APPENDIX 1

PUBLIC INTEREST CONTRACTS AND GRANTS—PERFORMANCE OF RECIPIENT

PUBLIC INTEREST CONTRACTS AND GRANTS—PERFORMANCE OF RECIPIENTS

During 2015–16, we administered contracts for the delivery of the following public interest telecommunications services:

- > Universal Service Obligation standard telephone services and payphones
- > emergency call services
- > voice-only migration related services
- > national relay services (and associated outreach services)
- > untimed local calls in the extended zones.

Each contract that we administered included obligations to submit reports to allow us to assess compliance of the providers with contractual requirements.

All reporting and contractual obligations were met.

We did not make any new grants in 2015–16.

Table 5.1 Public interest telecommunications services contractual details

Service	Contractor	Value (2015–16)	Duration	Deliverables achieved
Universal Service Obligation—Standard Telephone Service	Telstra	\$253 million (including GST)	1/7/2012–1/7/2032	Yes
Universal Service Obligation—Payphones	Telstra	\$44 million (including GST)	1/7/2012–1/7/2032	Yes
Emergency Call Service	Telstra	\$18.9 million (including GST)	1/7/2012–1/7/2032	Yes
Voice Only Migration (customer management tasks and required cabling arrangements)	Telstra and other retail service providers (ACN Pacific Pty Ltd, iiNet Ltd, M2 Group and Southern Phone Company Ltd)	The estimated total amount to be paid under all of the agreements covered by these arrangements is up to a maximum amount of \$150 million over 10 years (excluding GST).	1/7/2012 until the conclusion of the NBN rollout	Yes
National Relay Service—Relay Service	Australian Communication Exchange (ACE)	\$22.1 million (including GST)	25/1/2013–30/6/2018	Yes
National Relay Service—Outreach Service	CFW Spice Pty Ltd (WestWood Spice)	\$4.2 million (including GST)	25/1/2013–30/6/2018	Yes
Extended Zones Agreement	Telstra	\$1.6 million (including GST)	1/7/2015–30/6/2016	Yes

APPENDIX 2
AGENCY RESOURCE STATEMENT AND EXPENSES FOR OUTCOME

Table 5.2 Agency resource statement 2015–16

	Actual available appropriation for 2015–16 \$'000	Payments made \$'000	Balance remaining \$'000
	(a)	(b)	(a) – (b)
Ordinary Annual Services¹			
Prior year Departmental appropriation	20,749	17,005	3,744
Departmental appropriation	86,966	70,097	16,869
Departmental Capital Budget ²	3,237	294	2,943
s75 Transfers	13,938	12,949	989
s74 Relevant agency receipts	5,476	5,476	-
Total	130,366	105,821	24,545
Administered expenses			
Outcome 1			
Prior year Administered appropriation	16,643	3,874	
Administered appropriation	200,855	166,867	
s75 Transfers	(2,192)	-	
Payments to non-corporate entities	1,351,783	1,351,783	
Outcome 2			
Prior year Administered appropriation	49	-	
Administered appropriation	-	-	
s75 Transfers	122,753	116,191	
Payments to non-corporate entities	143,893	139,537	
Total	1,833,785	1,778,252	

	Actual available appropriation for 2015–16 \$'000	Payments made \$'000	Balance remaining \$'000
	(a)	(b)	(a) – (b)
Total ordinary annual services	A	1,964,151	1,884,073
Departmental non-operating			
Prior year departmental appropriations		6,000	6,000
Total		6,000	6,000
Administered non-operating			
Prior year administered appropriations		623,000	623,000
Administered assets and liabilities		7,365,908	6,467,000
Payments to non-corporate entities— non-operating		20,000	20,000
s75 Transfers		6,046	6,046
Total		8,014,954	7,116,046
Total other services	B	8,020,954	7,122,046
Total available annual appropriations and payments		9,985,105	9,006,119
Special Appropriations			
Public Governance, Performance and Accountability Act 2013—s77 (Refund Provision)		96	96
Total Special Appropriations	C	96	96
Special Accounts			
Opening balance		101	
Appropriation receipts		100,000	
Transferred through restructuring		42,779	
Non-appropriation receipts to Special Accounts		219,614	
Payments made		-	324,820

	Actual available appropriation for 2015–16 \$'000	Payments made \$'000	Balance remaining \$'000
	(a)	(b)	(a) – (b)
Total Special Account	D	362,494	324,820
Total resourcing and payments			37,674
A+B+C+D	10,347,695	9,331,035	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or non-corporate entities through annual appropriations	(9,610,630)	(8,607,366)	
Total net resourcing and payments for DBCDE	737,065	723,669	

1 Appropriation Act (No. 1) 2015-16 and Appropriation Act (No. 3) 2015–16. This also include prior-year departmental appropriation, Section 75 Transfers and Section 74 retained revenue receipts.

2 For accounting purposes, this amount has been designated as 'contributions by owners'.

Table 5.3 Expenses for Outcome 1

Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services.

	Estimated actual 2015–16 \$'000	Actual expenses 2015–16 \$'000	Variation 2015–16 \$'000
	(a)	(b)	(a)-(b)
Programme 1.1: Digital Technologies and Communications Services			
Administered expenses			
Ordinary annual services <i>(Appropriation Act No. 1 and Act No. 3)</i>	82,743	91,124	(8,381)
Special appropriations	–	27	(27)
Special Accounts	327,608	315,336	12,272
Payments to corporate entities	1,351,783	1,351,783	–
Expenses not requiring appropriation in the Budget year	14,050	12,413	1,637
Departmental expenses			
Departmental appropriation ¹	81,811	85,724	(3,913)
Special Accounts	6,441	4,007	2,434
Expenses not requiring appropriation in the Budget year (a)	5,971	5,048	923
Total for Programme 1.1	1,870,407	1,865,462	4,945

Outcome 1 totals by appropriation type

Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	82,743	91,124	(8,381)
Special appropriations	–	27	(27)
Special accounts	327,608	315,336	12,272
Payments to corporate entities	1,351,783	1,351,783	–
Expenses not requiring appropriation in the Budget year	14,050	12,413	1,637

	Estimated actual 2015–16 \$'000	Actual expenses 2015–16 \$'000	Variation 2015–16 \$'000
Departmental expenses			
Departmental appropriation ¹	81,811	85,724	(3,913)
Special Accounts	6,441	4,007	2,434
Expenses not requiring appropriation in the Budget year	5,971	5,048	923
Total expenses for Outcome 1	631,482	631,482	–
	2015–16	2015–16	
Average staffing level (number)	401	410	(9)

¹ Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

Table 5.4 Expenses for Outcome 2

Outcome 2: Promote an innovative and competitive communications sector, through developing and supporting cultural expression.

	Estimated actual 2015–16 \$'000	Actual expenses 2015–16 \$'000	Variation 2015–16 \$'000
	(a)	(b)	(a)-(b)
Programme 2.1: Arts and Cultural Development			
Administered expenses			
Ordinary annual services <i>(Appropriation Act No. 1 and Act No. 3)</i>	116,641	115,124	1,517
Special appropriations	—	—	—
Special Accounts	500	19	481
Payments to corporate entities	139,189	139,537	(348)
Expenses not requiring appropriation in the Budget year	1,042	1,137	(95)
Departmental expenses			
Departmental appropriation ¹	8,102	11,096	(2,994)
Special Accounts	3,957	3,167	790
Expenses not requiring appropriation in the Budget year	1,564	508	1,056
Total for Programme 2.1	270,995	270,588	407

Outcome 2 totals by appropriation type

Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	116,641	115,124	1,517
Special appropriations	—	—	—
Special accounts	500	19	481
Payments to corporate entities	139,189	139,537	(348)
Expenses not requiring appropriation in the Budget year	1,042	1,137	(95)

	Estimated actual 2015–16 \$'000	Actual expenses 2015–16 \$'000	Variation 2015–16 \$'000
Departmental expenses			
Departmental appropriation ¹	8,102	11,096	(2,994)
Special accounts	3,957	3,167	790
Expenses not requiring appropriation in the budget year	1,564	508	1,056
Total expenses for Outcome 2	270,995	270,588	407
	2015–16	2015–16	
Average staffing level (number)	94	85	9

¹ Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

APPENDIX 3
LEGISLATION AND STATUTORY INSTRUMENTS

INFRASTRUCTURE

- Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 (Amendment No. 1 of 2015)
- Radiocommunications (Class of Services) Amendment (Removal of 27 GHz Band) Determination 2015
- Radiocommunications (Duration of Community Television Transmitter Licences) Determination (No. 1) of 2008 (Amendment No. 1 of 2015)
- Radiocommunications (Spectrum Designation-27 GHz Band) Repeal Notice 2015
- Telecommunications Amendment (Designated Overhead Lines) Regulation 2015
- Telecommunications Amendment (Next-Generation Broadband Interference Management) Regulation 2015
- Telecommunications (Amendment of International Mobile Roaming Industry Standard) Direction 2016
- Telecommunications (Carrier Licence Charges) Act 1997*—Determination Under Paragraph 15(1)(d) No. 1 of 2016
- Telecommunications (Low-impact Facilities) Determination 1997 (Amendment No. 2 of 2015)
- Telecommunications (Low-impact Facilities) Determination 1997 (Amendment No. 3 of 2015)
- Telecommunications (Fibre-ready facilities—Exempt Kiangatha Real Estate Development Projects) Instrument No.1 of 2016
- Telecommunications (Numbering Charges) Amendment Bill 2015
- Telecommunications (Numbering Charges) Amendment Act 2016
- Telecommunications Legislation Amendment (Access Regime and NBN Companies) Bill 2015
- Telecommunications Legislation Amendment (Competition and Consumer) Bill 2015

CONSUMER AND CONTENT

- Australian Postal Corporation (Performance Standards) Amendment (Speed of Mail Delivery) Regulation 2015
- Broadcasting Legislation Amendment (Digital Radio) Bill 2015
- Broadcasting Legislation Amendment (Digital Radio) Act 2016
- Broadcasting Legislation Amendment (Media Reform) Bill 2016
- Broadcasting Legislation Amendment (Primary Television Broadcasting Service) Act 2015
- Broadcasting Legislation Amendment (Primary Television Broadcasting Service) Bill 2015
- Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 7 of 2015)

- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 8 of 2015)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 9 of 2015)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 10 of 2015)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 1 of 2016)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 2 of 2016)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 3 of 2016)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 4 of 2016)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 5 of 2016)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 6 of 2016)
- Broadcasting Services (Events) Notice (No. 1)
2010 (Amendment No. 7 of 2016)
- Children's Online Safety Special Account
(Credits to Account) Determination 2015
- Classification (Publications, Films and
Computer Games) (Markings and Consumer
Advice) Amendment Determination 2015
- Communications Legislation Amendment
(Deregulation and Other Measures) Bill 2015
- Communications Legislation Amendment
(SBS Advertising Flexibility and Other
Measures) Bill 2015
- Enhancing Online Safety for Children
(Tier 2 Social Media Services) Declaration 2015
- Enhancing Online Safety (Family and Domestic
Violence) Legislative Rules 2015
- Television Licence Fees Amendment (Licence
Fee Rebate) Regulation 2016

ARTS

- Public Lending Right Scheme 1997
(Modification No.1 of 2016)
- Public Service (Abolition of Old Parliament
House as an Executive Agency) Order 2016
- Resale Royalty Right for Visual Artists Act
2009—Appointment of the collecting society

APPENDIX 4
STAFF STATISTICS (30 JUNE 2016)

Table 5.5 Full-time and part-time staff—30 June 2016

Ongoing Full-time Male	Ongoing Full-time Female	Ongoing Part-time Male	Ongoing Part-time Female	Non- ongoing Full-time Male	Non- ongoing Full-time Female	Non- ongoing Part-time Male	Non- ongoing Part-time Female	Non- ongoing Casual Male	Non- ongoing Casual Female	Total
186	276	8	62	7	22	1	7	2	2	571

Note: These figures include staff employed by our Department as at 30 June 2016 and exclude all inoperative staff*. These figures include the Department Secretary.

* Inoperatives are defined as those staff who were recorded as being on leave without pay as at 30 June 2016 for a total period greater than 13 weeks.

Table 5.6 Staff by classification groups and location—30 June 2016

State	APS 1	APS 2	APS 3	APS 4	APS 5	APS 6	EL	SESB 1	SESB 2	SESB 3	SEC	Location total
ACT												
NSW	2	2	4	10	5	19	17	60	21	5	2	1
VIC												
QLD												
SA												
WA												
NT												
Classification total	2	2	19	63	67	153	163	69	23	7	2	571

Note: The above data are based on substantive classifications. Local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels. The departmental Secretary is included. Inoperative staff are excluded.

Table 5.7 SES Staff—30 June 2016

SES Staff	Female	Male	SES total
SESB1	12	11	23
SESB2	4	3	7
SESB3	1	1	2
Gender total	17	15	32

Note: These figures reflect substantive occupancy and exclude inoperative staff.

Table 5.8 Staff in equal employment opportunity (EEO) groups—30 June 2016

Male	Female	Total staff 1	DCLB	ATSI	PWD	Total staff 2
204	267	571	61	8	8	72
35.7%	64.3%	—	10.7%	1.4%	1.4%	13.5%

Key to Table 5.6

Total staff 1: Ongoing and non-ongoing staff based on their substantive classification as at 30 June 2016.

Total staff 2: Total number of staff who chose to provide EEO information and this may include 'no' responses to some questions.

DCLB: Staff who reported they are from diverse linguistic backgrounds.

ATSI: Aboriginal and/or Torres Strait Islander peoples.

PWD: Staff who reported they have a disability.

Note: The above table excludes inoperative staff.

Table 5.9 Salary range of employees 2015–16

Classification	Enterprise Agreement Salary Range (\$) Lowest	Enterprise Agreement Salary Range (\$) Highest	Individual Arrangements* Salary Range (\$) Lowest	Individual Arrangements* Salary Range (\$) Highest
APS1	44,088	48,415	N/A	N/A
APS2	49,602	54,978	N/A	N/A
APS3	56,411	60,946	N/A	N/A
APS4	63,229	68,335	71,335	71,355
APS5	70,492	76,813	N/A	N/A
APS6	77,731	91,291	101,291	118,291
EL1	100,620	111,542	116,542	122,404
EL2	116,729	138,369	154,268	154,979
SES	N/A	N/A	165,000	295,800

Note: Part-time salaries have been annualised to full-time for comparison. This table excludes all inoperative staff. Classifications with local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels.

* Includes Individual Flexibility Arrangements and section 24(1) Determinations and supplementary arrangements.

Table 5.10 Performance payments 2014–15, paid in 2015–16

Classification	Number of staff paid	Aggregate amount (\$)	Average amount (\$)	Lowest amount (\$)	Highest amount (\$)
EL1	1	6,000.00	6,000.00	6,000.00	6,000.00
Total	1	6,000.00	—	—	—

APPENDIX 5

ADVERTISING AND MARKET RESEARCH

In the 2015–6 financial year, we paid a total of \$104,815.87 GST exclusive to:

Table 5.11 Advertising agencies

Organisation name	Purpose	Amount of payment
Total advertising agencies		0.00

Table 5.12 Market research organisations

Organisation name	Purpose	Amount of payment (ex GST)
Essence Communications	Developmental and Evaluation Market Research for Stay Smart Online Week	13,000
Total market research organisations		13,000.00

Table 5.13 Media advertising organisations

Organisation name	Purpose	Amount of payment (ex GST)
Dentsu Mitchell Media Australia	Advertorial placement and digital advertising for Stay Smart Online Week	71,611.09
Dentsu Mitchell Media Australia	Prime Minister's Literary Awards advertising	7,202.01
Dentsu Mitchell Media Australia	Advertising closing dates of annual Lending Rights applications	4,903.60

Organisation name	Purpose	Amount of payment (ex GST)
Dentsu Mitchell Media Australia	Advertising for arts program assessors	4,547.89
Facebook	Advertising of the Festival of Pacific Arts and Artbank	1,342.23
Facebook	Advertising for the Stay Smart Online Alert Service	2,179.98
Hootsuite Media Inc	Snapshot Report of likers for Instagram and Facebook	29.07
Total media advertising		91,815.87

During 2015–16 the Department of Communications and the Arts did not conduct any advertising campaigns.



SECTION 6

REFERENCE INFORMATION

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ACRONYMS

ABC	Australian Broadcasting Corporation
ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
AFTRS	Australian Film Television and Radio School
ANAO	Australian National Audit Office
ANMM	Australian National Maritime Museum
APS	Australian Public Service
BCR	Bureau of Communications Research
FOI	Freedom of Information
GHz	Gigahertz
MHz	Megahertz
MOAD	Museum of Australian Democracy at Old Parliament House
NBN	National Broadband Network
NFSA	National Film and Sound Archive
NGA	National Gallery of Australia
NLA	National Library of Australia
NMA	National Museum of Australia
NPGA	National Portrait Gallery of Australia
NRS	National Relay Service
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance and Performance Accountability Act 2013</i>
SBS	Special Broadcasting Service Corporation
SES	Senior Executive Service
TUSMA	Telecommunications Universal Service Management Agency
VAST	Viewer Access Satellite Television
VHA	Vodafone Hutchinson Australia

GLOSSARY

Behavioural economics	This is a method of economic analysis that applies psychological insights into human behaviour to explain economic decision-making.
Carrier	Holder of a carrier licence.
Classification Board	The Classification Board is established under the <i>Classification (Publications, Films and Computer Games) Act 1995</i> , and classifies films, computer games and publications for exhibition, sale or hire in Australia.
Data analytics	This is the science of examining raw data with the purpose of drawing conclusions about that information.
Digital Service Standard	The Digital Service Standard ensures digital teams build government services that are simpler, clearer and faster for all users. All services within the scope of the Digital Service Standard must work to meet the Standard. Services are assessed if design or redesign commenced after 6 May 2016.
Enterprise Agreement	A written agreement about working conditions and wages made between an employer and its employees.
Extended Zones Agreement	Geographical areas outside of Telstra's standard local call charging zones, predominantly located in rural and remote Australia.
Fibre to the premises	Network design where the fibre network is deployed to individual premises.
Fixed line	Network in which voice, data or broadband services are delivered over a physical line.
GOV.AU platform	GOV.AU intends to draw on service design techniques to focus on the needs of users. It will join up services provided by different agencies and tiers of government, so people can get things done with government in a single journey. The platform will bring publishing by government agencies together into one place.
International Age Rating Coalition classification tool	The International Age Rating Coalition (IARC) is a partnership of leading computer games ratings authorities from across the world, including the United States, Canada, most of Europe and Brazil. In Australia, the IARC tool classifies mobile and/or online computer games.

Migration Plan	Telstra prepared a migration plan saying how it would disconnect active copper services, how it would work with its wholesale customers in this process, and by when. The plan was approved by the Australian Competition and Consumer Commission (ACCC).
Multi-technology mix	Network design where a mix of technologies is used to deliver the NBN service.
Mobile black spot	A location with poor or non-existent mobile coverage.
National Classification Scheme	The National Classification Scheme is a cooperative arrangement between the Australian Government and the state and territory governments where the Classification Board classify films, computer games and certain publications.
National Emergency Call Service	<p>The National Emergency Call Service includes:</p> <ul style="list-style-type: none"> > Triple Zero (000), the number most Australians will use to call the police, fire or ambulance in an emergency. > 112—the international standard emergency number, which can be called from a GSM (Global System for Mobile Communications) type mobile > 106—the text-based emergency number for people who are deaf, or have a hearing or speech impairment, which can be called from a TTY (teletypewriter)
NationalMap	A joint initiative with NICTA and Geoscience Australia, the NationalMap is the first open source, open data and whole-of-government platform in Australia. It was launched in 2014–15.
National Relay Service (NRS)	<p>The NRS is an Australian Government initiative funded by a levy on eligible telecommunications carriers.</p> <p>The NRS consists of:</p> <ul style="list-style-type: none"> > a Relay Service Provider which runs the call centre where relay officers relay your calls to other people, and > an Outreach Service Provider which runs the outreach service to provide a Helpdesk, and education and information activities which support awareness, training and use of the NRS.
NBN Co Ltd (NBN Co)	The company established by the Government to build and operate the NBN.

Non-ongoing employee	A person engaged as an APS employee under subsection 22(2)(b) or 22(2)(c) of the <i>Public Service Act 1999</i> .
Ongoing employee	A person engaged as an ongoing APS employee under subsection 22(2)(a) of the <i>Public Service Act 1999</i> .
Penny Arcade Expo (PAX)	PAX is a series of gaming festivals held around the world.
Spectrum	The span of electromagnetic frequencies used in communications systems.
Trusted Information Sharing Network	Partnerships between government and businesses that own or operate critical infrastructure is a key part of Australia's critical infrastructure resilience. The Trusted Information Sharing Network (TISN) is one avenue of engagement for this partnership. The TISN provides an environment where business and government can share vital information on security issues relevant to the protection of Australia's critical infrastructure and the continuity of essential services in the face of all hazards.
Universal service obligation	Universal service obligation ensures that all people in Australia, wherever they reside or carry on business, have reasonable access, on an equitable basis, to standard telephone services, including payphones.
Voice-only migration related services	This is a program to support the continuity of supply of carriage services during transition to the National Broadband Network.

COMPLIANCE INDEX

PGPA Rule Reference	Part of Report	Description	Requirement	Page
17AD(g)	Letter of transmittal			
17AI		A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	iii
17AD(h)	Aids to access			
17AJ(a)		Table of contents.	Mandatory	v
17AJ(b)		Alphabetical index.	Mandatory	193
17AJ(c)		Glossary of abbreviations and acronyms.	Mandatory	182–185
17AJ(d)		List of requirements.	Mandatory	186–192
17AJ(e)		Details of contact officer.	Mandatory	ii
17AJ(f)		Entity's website address.	Mandatory	ii
17AJ(g)		Electronic address of report.	Mandatory	ii
17AD(a)	Review by accountable authority			
17AD(a)		A review by the accountable authority of the entity.	Mandatory	2–4
17AD(b)	Overview of the entity			
17AE(1)(a)(i)		A description of the role and functions of the entity.	Mandatory	5–10
17AE(1)(a)(ii)		A description of the organisational structure of the entity.	Mandatory	6–10
17AE(1)(a)(iii)		A description of the outcomes and programs administered by the entity.	Mandatory	7
17AE(1)(a)(iv)		A description of the purposes of the entity as included in corporate plan.	Mandatory	5–6
17AE(1)(b)		An outline of the structure of the portfolio of the entity.	Portfolio departments –Mandatory	10–15

PGPA Rule Reference	Part of Report	Description	Requirement	Page
17AE(2)		Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	Not applicable
17AD(c) Report on the Performance of the entity				
<i>Annual performance Statements</i>				
17AD(c)(i); 16F		Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	18–52
17AD(c)(ii) Report on Financial Performance				
17AF(1)(a)		A discussion and analysis of the entity's financial performance.	Mandatory	72–77
17AF(1)(b)		A table summarising the total resources and total payments of the entity.	Mandatory	166–172
17AF(2)		If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	Not applicable
17AD(d) Management and Accountability				
<i>Corporate Governance</i>				
17AG(2)(a)		Information on compliance with section 10 (fraud systems)	Mandatory	56
17AG(2)(b)(i)		A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	iii

PGPA Rule Reference	Part of Report	Description	Requirement	Page
17AG(2)(b)(ii)		A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	iii, 56, 58
17AG(2)(b)(iii)		A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	iii, 56, 58
17AG(2)(c)		An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	52–62
17AG(2)(d) – (e)		A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	Not applicable
<i>External Scrutiny</i>				
17AG(3)		Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	58–62
17AG(3)(a)		Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	Not applicable
17AG(3)(b)		Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	58–62
17AG(3)(c)		Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	46–47

PGPA Rule Reference	Part of Report	Description	Requirement	Page
<i>Management of Human Resources</i>				
17AG(4)(a)		An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	46–49, 65–66, 71
17AG(4)(b)		Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none">> Statistics on staffing classification level;> Statistics on full-time employees;> Statistics on part-time employees;> Statistics on gender;> Statistics on staff location;> Statistics on employees who identify as Indigenous.	Mandatory	67, 175–177
17AG(4)(c)		Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	70, 177
17AG(4)(c)(i)		Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	70, 177
17AG(4)(c)(ii)		The salary ranges available for APS employees by classification level.	Mandatory	177
17AG(4)(c)(iii)		A description of non-salary benefits provided to employees.	Mandatory	70
17AG(4)(d)(i)		Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	177
17AG(4)(d)(ii)		Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	177
17AG(4)(d)(iii)		Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	177

PGPA Rule Reference	Part of Report	Description	Requirement	Page
17AG(4)(d)(iv)		Information on aggregate amount of performance payments.	If applicable, Mandatory	177
<i>Assets Management</i>				
17AG(5)		An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, Mandatory	72
<i>Purchasing</i>				
17AG(6)		An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory	75
<i>Consultants</i>				
17AG(7)(a)		A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	75–76
17AG(7)(b)		<i>A statement that "During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]".</i>	Mandatory	75
17AG(7)(c)		A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	75
17AG(7)(d)		<i>A statement that "Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."</i>	Mandatory	75

PGPA Rule Reference	Part of Report	Description	Requirement	Page
Australian National Audit Office Access Clauses				
17AG(8)		If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	77
Exempt contracts				
17AG(9)		If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	77
Small business				
17AG(10)(a)		A statement that "[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website."	Mandatory	76
17AG(10)(b)		An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	76–77
17AG(10)(c)		If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that "[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website."	If applicable, Mandatory	77

PGPA Rule Reference	Part of Report	Description	Requirement	Page
<i>Financial Statements</i>				
17AD(e)		Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	79–160
17AD(f) Other Mandatory Information				
17AH(1)(a)(i)		If the entity conducted advertising campaigns, a statement that " <i>During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.</i> "	If applicable, Mandatory	178–179
17AH(1)(a)(ii)		If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	Not applicable
17AH(1)(b)		A statement that " <i>Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website].</i> "	If applicable, Mandatory	77
17AH(1)(c)		Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	70
17AH(1)(d)		Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	59
17AH(1)(e)		Correction of material errors in previous annual report	If applicable, Mandatory	Not applicable
17AH(2)		Information required by other legislation	Mandatory	64, 164–166

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